ANNUAL REPORT 2016

Millennium
bcp

MILLENNIUM. HERE I CAN.

MOMENTS MILLENNIUM 2016

Images from the year: business, culture and sustainability.

2016
ANNUAL REPORT

Statement pursuant to article 8 of CMVM Regulation number 5/2008 of the

2016 ANNUAL REPORT

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company

Head Office: Praça D. João I, 28, 4000-295 Porto – Share Capital of 5,600,738,053.72 euros

Registered at Porto Commercial Registry, under the single registration
and tax identification number 501 525 882

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

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

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

CONTENTS

JOÃO SOUSA
Millennium bcp is a proud sponsor of João Sousa, Portugal's best-ever tennis player. Our support for João reflects our ambition to be the best, to always strive to overcome challenges with determination and agility.

Banco Comercial Português, S.A.


Millennium
MODERNO
Mille
M
Sofia Oliveira
Millennium

INFORMATION ON THE BCP GROUP

BRANCH OF THE FUTURE

Millennium bcp is renovating its branch network, creating clean, bright, open spaces for Customers that are designed to simplify processes and emphasize Customer service. The "Branch of the Future" features free in-store wi-fi, digital devices where Customers can test our online products and apps, and tablets for Employees to make the branch experience entirely "paperless".

António Monteiro
Chairman of the Board
of Directors

Nuno Amado
Chief Executive Officer
Vice-Chairman of the Board of Directors

JOINT MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

In 2016, the Portuguese economy continued to recover within a framework of increasing amelioration in public accounts and in the external balance. Notwithstanding the moderate GDP growth (1.4%), employment continued to improve as well as wages. Despite the dynamics shown by consumption and exports, particularly tourism, there is still the need to, in a strong and sustained manner, increase investment, paramount for Portugal to achieve the desired growth pace.

In Angola and Mozambique, the persistence of the price of energy raw materials at relatively low levels caused the deterioration of the economic performance, as well as an aggravation of inflation and of the financial condition of these two countries. In Poland, the economy continued to be one of the most vibrant economies at an European level and the country also evolved favourably in political terms, namely with the dissipation of the regulatory risks relating to the domestic financial system.

For Millennium bcp, 2016 was a year in which we worked to make our project stronger, with a private placement operation that brought forward a new reference Shareholder – Fosun – and created the conditions to successfully complete the Bank's share capital increase in the beginning of 2017. This operation translated into the anticipation of the conclusion of the restructuring plan and into the full repayment of the CoCo bonds remaining, in the beginning in 2017, meaning that BCP's restructuring was completed at no cost for the taxpayers. This moment revealed the trust of our historic Shareholders and of the new investors.

2016 was a demanding year in which the Bank was able to improve its capital ratio, with the entrance of a new strategic Shareholder in the Bank's capital, and to ensure a more sustainable balance sheet with a significant improvement of past due loans cover rates and with a substantial decrease of Non--Performing Exposures (NPEs).

We must highlight the very positive and consistent performance of consolidated operating income, before impairment, recording over 1 billion euros – figures that had not been recorded for many years. Operating efficiency showed an upward trend, which translated into a 51.5% cost to core income ratio. Net income in 2016 amounted to 23.9 million euros, notwithstanding the very significant increase in impairment, of around 1.6 billion euros. Excluding one-off items, net earnings would have amounted to 97.6 million euros, 119.8 million euros more than in 2015. The Bank is thus on a sustainable path towards profitability.

As mentioned before, the Bank made a very significant effort in terms of coverage, having presently around 100% of NPEs in Portugal covered by impairment and collaterals. NPEs in Portugal, which totalled 12.8 billion euros by 2013, fell to 8.5 billion euros by 2016, with a very important commitment to proceed with their reduction in 2017.

The year ended with a very strong position in terms of capital with a CET1 ratio of 12.8% phased-in and of 11.1% fully-implemented. These figures were in line with the European benchmarks, showing a rather significant performance in the last few years.

The international operations performed well and soundly, recording earnings of 276.5 million euros – 27.7% up in local currency and 4.8% in euros.

Poland attained 160.3 million euros in earnings, the highest number ever. The effects of extraordinary banking taxes were offset by extraordinary gains from the sale of Visa Europe. One must underline the increase in the number of Clients, which reached 1.5 million active Clients, and the bet on the digital channels which are already used by around 1 million Clients. Clients also broadened their relationship with the Bank, which can be verified by the increase in deposits and loans.

In Mozambique, despite the challenging context, the Bank recorded net earnings of 71.2 million euros, a 34.3% rise in local currency. 2016 was a year of innovation with the launching, for instance, of the Smart IZI App, so as to remain a bank of reference in mobile banking in Africa.

Our operation in Angola merged, in April 2016, with Banco Privado Atlântico, creating Banco Millennium Atlântico, of which the BCP Group owns a 22.5% stake. The synergies were high since both banks pursued complementary activities. Presently, the new bank is one of the largest private banks in Angola and counts over 150 branches and 2000 Employees.

In Portugal, we continued to follow through with our strategic agenda, transforming the Bank to become ever more agile, modern, close, simple and sustainable. The results are already showing, namely when we were the first Bank to launch a consumer loan fully granted online and when we renovated our branches to include innovative services such as free Wi-Fi, digital price list and signing with digital signature throughout the entire network. We also surprised the market when we launched the Branch of the Future, with an innovative image and improved services at more than 30 locations throughout the country. The Bank's transformation is Customer-centred and more and more new tools will be available to our Customers.

In what regards social responsibility, the Bank continued to back up its commitment to society. In 2016, our Microcredit helped create 564 new jobs. Fundação Millennium bcp continued to support the Portuguese culture and was one of the main sponsors of the national museums. In its areas of intervention – culture, education and social responsibility – the foundation helped fund over 100 projects in 2016.

We believe that 2016 was a key year to build a Bank focused on its values and prepared for the future. We are in a unique position in the banking industry in Portugal and we commit to our part of supporting families and companies.

António Monteiro
Chairman of the Board of Directors

Nuno Amado
Chief Executive Officer
Vice-Chairman of the Board of Directors

Rui Manuel Teixeira

Miguel Maya
Vice-Chairman

Conceição Lucas

EXECUTIVE COMMITTEE

Nuno Amado
Chairman

Iglésias Soares

Miguel Bragança
Vice-Chairman

José Miguel Pessanha

KEY INDICATORS

(Million euros)

	2016	2015[1]	2014	2013	2012	Chance % 16/15
BALANCE SHEET						
Total assets	**71,265**	74,885	76,361	82,007	89,744	-4.8%
Loans and advances to customers (net)[2]	**48,018**	51,022	52,729	55,744	57,926	-5.9%
Total Customer Funds[2]	**63,377**	64,485	63,287	63,041	63,040	-1.7%
Balance sheet customer funds[2]	**50,434**	52,158	51,141	51,174	51,649	-3.3%
Deposits and repurchase agreements with customers[2]	**48,798**	49,847	48,365	47,376	45,286	-2.1%
Loans to customers (net)/Customer deposits[3]	**99%**	102%	108%	117%	128%	
Shareholders' equity and subordinated debt	**5,927**	6,269	6,238	6,945	7,671	-5.5%
PROFITABILITY						
Net operating revenues	**2,097**	2,304	2,292	1,769	2,101	-9.0%
Operating costs	**780**	1,017	1,150	1,295	1,321	-23.3%
Impairment and Provisions	**1,598**	978	1,316	1,287	1,319	63.4%
Income tax						
Current	**113**	91	101	116	81	24.2%
Deferred	**-495**	-54	-199	-326	-213	
Non-controlling interests	**122**	126	110	94	82	-3.0%
Net income attributable to Shareholders of the Bank	**24**	235	-227	-740	-1,219	-89.8%
Return on average shareholders' equity (ROE)	**0.6%**	5.3%	-6.5%	-26.5%	-35.4%	
Income before tax and non-controlling interests/Average equity[3]	**-4.5%**	7.3%	-5.1%	-24.9%	-31.5%	
Return on average total assets (ROA)	**0.2%**	0.5%	-0.1%	-0.8%	-1.3%	
Income before tax and non-controlling interests/Average net assets[3]	**-0.3%**	0.5%	-0.3%	-1.0%	-1.4%	
Net interest margin	**1.9%**	1.8%	1.6%	1.1%	1.3%	
Net operating revenues/Average net assets[3]	**2.8%**	3.0%	2.8%	2.1%	2.3%	
Cost-to-income[3][4]	**46.1%**	43.9%	51.7%	66.5%	62.6%	
Cost-to-income – activity in Portugal[4]	**47.1%**	41.1%	53.7%	80.9%	68.9%	
Staff costs/Net operating revenues[3][4]	**25.9%**	24.7%	28.6%	36.8%	35.5%	
CREDIT QUALITY						
Overdue loans (>90 days)/Total loans[2]	**6.8%**	7.3%	7.4%	7.1%	5.8%	
Overdue loans (>90 days) + doubtful loans/Total loans[3]	**9.0%**	9.4%	9.6%	9.2%	8.1%	
Overdue loans (>90 days) + doubtful loans, net/Total loans, net[3]	**1.9%**	3.4%	3.8%	3.7%	1.9%	
Credit at risk Total loans[3]	**10.9%**	11.3%	12.0%	11.9%	13.1%	
Credit at risk, net/Total loans, net[3]	**3.9%**	5.4%	6.3%	6.6%	7.2%	
Total impairment/Overdue loans (>90 days)[2]	**107.0%**	86.2%	82.6%	79.6%	92.2%	
Cost of risk[5]	**216 p,b,**	150b.p.	194b.p.	137b.p.	157b.p.	
CAPITAL[6]						
Common equity tier I phased-in[7]	**12.4%**	13.3%	11.7%	-	-	
Common equity tier I fully-implemented[7]	**9.7%**	10.2%	7.8%	-	-	
Own Funds	**5,257**	6,207	5,827	6,421	6,773	
Risk Weighted Assets	**39,160**	43,315	43,515	43,926	53,271	
Core tier I (Basel II)[3]	**-**	-	-	13.8%	12.4%	
Tier I (Basel II)[3]	**-**	-	-	12.9%	11.7%	
Total (Basel II)[3]	**-**	-	-	14.6%	12.7%	
BCP SHARE						
Market capitalisation (ordinary shares)	**843**	2,887	3,561	3,279	1,478	-70.8%
Adjusted basic and diluted earnings per share (euros)	**0.019**	0.232	-0.259	-1.068	-2.845	
Market values per share (euros)[8]						
High	**0.6459**	1.2388	1.8162	1.3695	0.8938	
Low	**0.1791**	0.5374	0.8396	0.5772	0.3962	
Close	**0.1845**	0.6317	0.8487	1.2474	0.5622	

[1] In the scope of the merger process with Banco Privado Atlântico, Banco Millennium Angola was considered discontinued operation in the first quarter of 2016, with effect on the same item in the exercises of 2016 and 2015, given that the information as at 31 December 2015 was re-presented in the consolidated financial statements of Millennium bcp.
[2] Adjusted from discontinued operations: Millennium bank in Romania (2013 to 2012); Millennium bcp Gestão de Activos (2014 to 2012); Millennium bank in Greece (2012); and Banco Millennium in Angola (2015 to 2012).
[3] According to Instruction no. 16/2004 from the Bank of Portugal, as the currently existing version.
[4] Excludes the impact of specific items.
[5] Adjusted from discontinued operations: Banco Millennium Angola (2015).
[6] According with CRD IV/CRR phased-in for 2014, 2015 and 2016, and compliant with rules from the Bank of Portugal.
[7] Includes the impact of the new DTAs regime for capital purposes according with IAS.
[8] Market value per share adjusted from the regrouping of shares, in October 2016, and the capital increase occurred in February 2017.

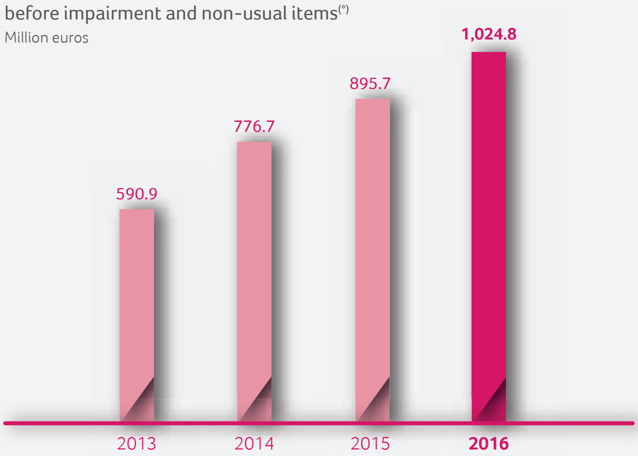
	Unit	2016[1]	2015	2014	2013	2012	Change % 16/15
CUSTOMERS							
Total of Customers	Thousands	**5,482**	5,557	5,282	5,162	5,523	-1.3%
Interest paid on deposits and interbak funding	Million euros	**389**	650	897	1,148	1,774	-40.2%
Claims registered	Number	**74,363**	79,108	71,348	81,719	81,146	-6.0%
Claims resolved	Percentage	**94.6%**	97.2%	95.1%	98.5%	94.1%	-2.7%
ACESSIBILITIES							
Branches	Number	**1,163**	1,342	1,373	1,518	1,699	-13.3%
Activity in Portugal		**618**	671	695	774	839	-7.9%
International activity		**545**	671	678	744	860	-18.8%
Branches opened on Saturday		**112**	144	140	131	131	-22.2%
Branches with access conditions to people with reduced mobility		**828**	978	981	1,137	1,031	-15.3%
Internet	Users number	**1,700,114**	1,541,811	1,377,480	1,352,188	1,303,603	10.3%
Call Center	Users number	**261,620**	273,610	301,338	230,046	257,963	-4.4%
Mobile banking	Users number	**1,268,804**	929,401	506,976	339,095	221,475	36.5%
ATM	Number	**2,965**	3,115	3,112	3,341	3,658	-4.8%
EMPLOYEES							
Portugal Employees	Number	**7,333**	7,459	7,795	8,584	8,982	-1.7%
International Employees[2]	Number	**8,474**	9,724	9,845	10,076	11,383	-12.9%
LABOUR INDICATORS[3]							
Breakdown by professional category	Number						
Executive Committee		**26**	34	33	36	34	-23.5%
Senior Management		**146**	171	161	165	175	-14.6%
Management		**1,669**	1,702	1,768	1,874	1,981	-1.9%
Commercial		**9,453**	10,406	10,648	11,013	11,966	-9.2%
Technicians		**3,459**	3,609	3,641	3,921	4,040	-4.2%
Other		**1,167**	1,330	1,452	1,711	2,223	-12.3%
Breakdown by age	Number						
<30		**2,225**	3,029	3,387	3,710	4,335	-26.5%
[30-50]		**9,820**	10,673	10,925	11,510	12,716	-8.0%
>=50		**3,875**	3,550	3,391	3,500	3,368	9.2%
Average age	Years	**41**	38	37	36	36	7.9%
Breakdown by contract type	Number						
Permanent		**14,876**	15,904	16,329	17,504	18,906	-6.5%
Temporary		**1,044**	1,035	1,073	894	1,272	0.9%
Trainees		**119**	313	301	329	241	-62%
Employees with working hours reduction	Number	**202**	153	155	169	157	32.0%
Recruitment rate	Percentage	**8.2%**	7.3%	8.1%	6.6%	7.2%	12.3%
Internal mobility rate	Percentage	**18.0%**	16.4%	16.4%	15.9%	24.9%	9.8%
Leaving rate	Percentage	**9.1%**	10.0%	11.1%	9.1%	13.1%	-9.0%
Free association[4]	Percentage						
Employees under Collective Work Agreements		**99.6%**	99.5%	99.6%	99.7%	99.7%	0.1%
Union Syndicated Employees		**78.9%**	72.0%	73.2%	75.9%	76.2%	9.6%
Hygiene and safety at work (HSW)							
HSW visits	Number	**185**	194	180	376	621	-4.6%
Injury rate	Percentage	**0.0%**	0.0%	0.0%	0.0%	0.0%	
Death victims	Number	**1**	0	0	0	0	
Absenteeism rate	Percentage	**4.2%**	4.0%	3.6%	3.8%	3.5%	5.0%
Lowest company salary and minimum national salary	Ratio	**1.1**	1.9	1.7	1.7	1.7	-40.4%
ENVIRONMENT[5]							
Greenhouse gas emissions[6]	tCO2eq	**59,864**	60,391	65,470	72,691	71,902	-0.9%
Electricity consumption[7]	MWh	**68,055**	76,513	88,789	114,402	121,181	-11.1%
Production of waste[8]	t	**1,332**	2,078	1,568	1,294	1,465	-35.9%
Water consumption[9]	m^3	**239,279**	358,228	554,307	361,968	411,633	-33.2%
SUPPLIERS							
Time of payment and time contractually agreed, in Portugal	Ratio	**1**	1	1	1	1	0.0%
Purchase from local suppliers	Percentage	**91.7%**	92.8%	86.5%	92.6%	90.6%	-1.2%
DONATIONS	Million euros	**1.7**	2.0	2.2	3.2	3.4	-11.4%

[1] Data for 2016 do not include Angola, whose operation was discontinued in 2016.
[2] Number of Employees for all operations except Poland, where are reported Full-Time Equivalent (FTE).
[3] Employees information (and not FTE) for: Portugal, Mozambique, Switzerland and Poland.
[4] The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal and Mozambique. Syndicate: Portugal and Mozambique.
[5] Data do not include Angola (2012 to 2016).
[6] Data do not include Mozambique (2016).
[7] Data include eletricity from public grid. Does not include the cogeneration plant in Portugal neither 2016 energy consumption in Mozambique.
[8] Data does not include Switzerland (2013) and Mozambique (2012 and 2013).
[9] Data does not include Switzerland (2012 to 2016) and Mozambique (2016).

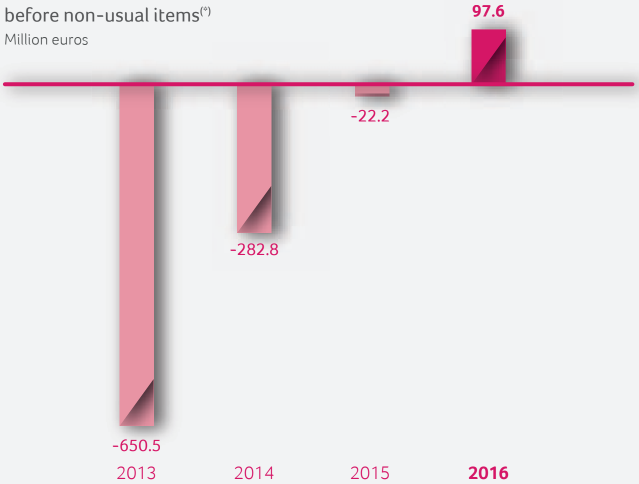
MAIN HIGHLIGHTS

PROFITABILITY

OPERATING NET INCOME
before impairment and non-usual items(*)
Million euros

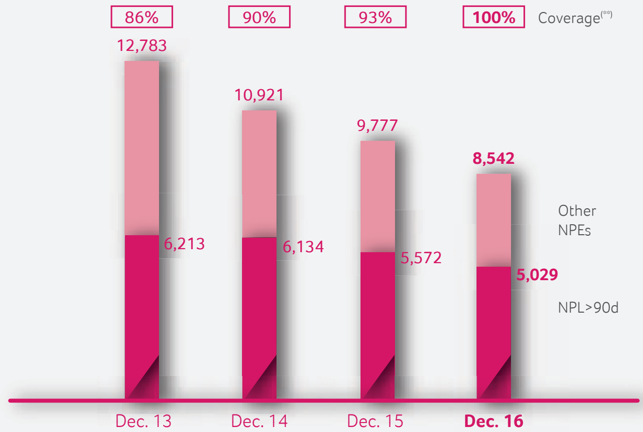


NET INCOME
before non-usual items(*)
Million euros

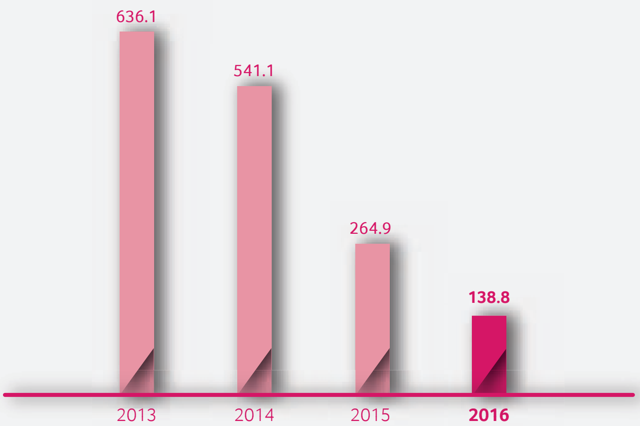


ASSET QUALITY IN PORTUGAL

NON-PERFORMING EXPOSURES (NPES)
Million euros

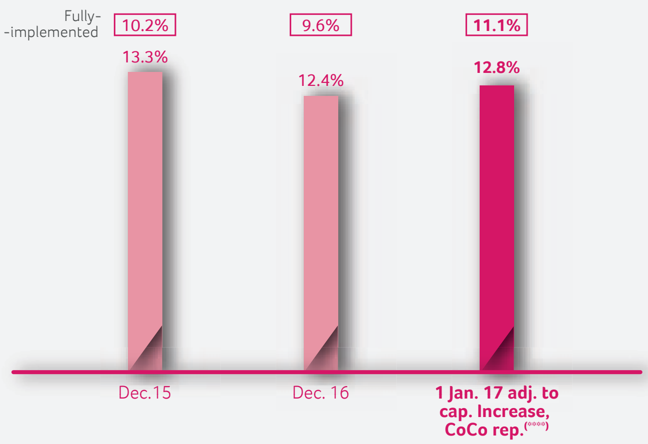


NET NEW ENTRIES IN NPL >90 DAYS
Million euros

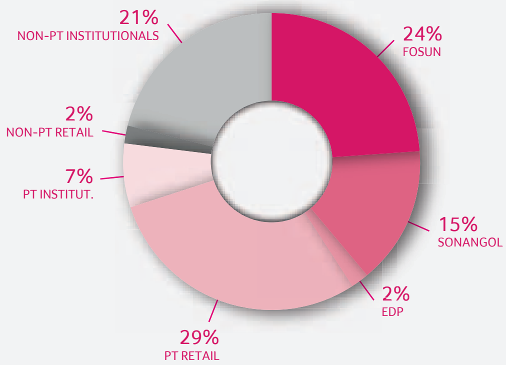


CAPITAL

PHASED-IN CAPITAL RATIO (CET1 – CRD IV/CRR)(***)



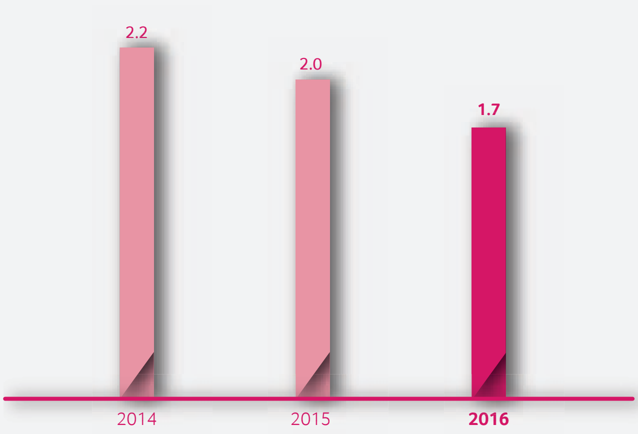
SHAREHOLDING STRUCTURE FOLLOWING CAP. INCREASE



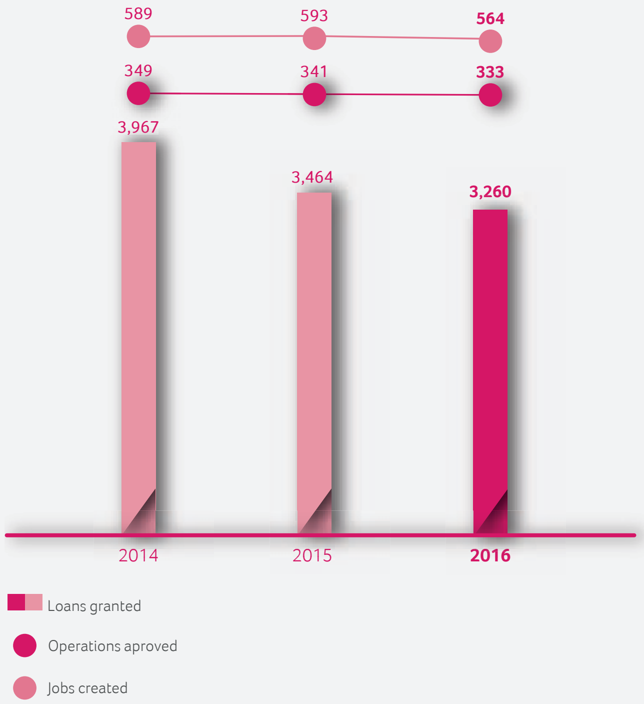
(*) Non-usual items in 2016: gains on Visa transaction, capital gains on Portuguese sovereign debt, impact from revision of collective labour agreement net of restructuring costs, devaluation of corporate restructuring funds and of goodwill, additional impairment charges to increase coverage and fiscal impact; in 2015: capital gains on Portuguese sovereign debt, restructuring costs, and devaluation of corporate restructuring funds; in 2014: capital gains on Portuguese sovereign debt, capital gain on the sale of an insurance subsidiary and AQR provisions; in 2013: costs with mutually-agreed terminations and with early retirements.
(**) By loan-loss reserves, expected loss gap and collaterals.
(***) Estimates.
(****) Estimates as at 1 January 2017, adjusted by the impact of the capital increase and of CoCo repayment, both completed in February 2017.

SUSTAINABILITY

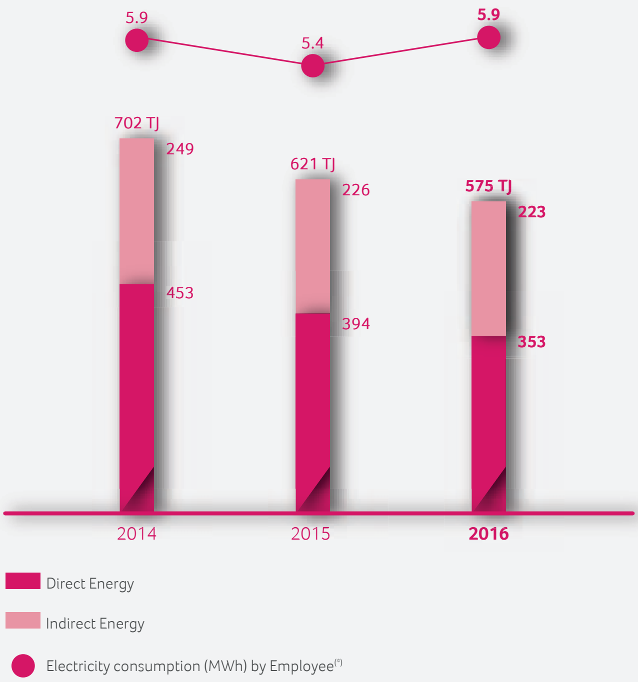
DONATIONS
Million euros



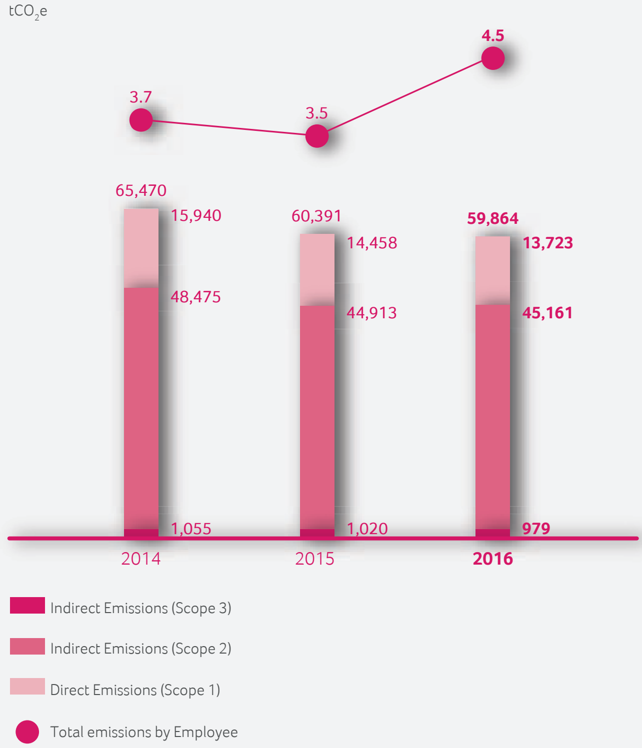
MICROCREDIT ACTIVITY
Thousand euros



TOTAL ENERGY CONSUMPTION
TJ



GHG EMISSIONS (**)
tCO_2e



(*) Includes the cogeneration plant in Portugal, excludes the data centre in Portugal and 2016 data from Mozambique.
(**) Does not include Mozambique (2016).

BUSINESS IN PORTUGAL

INDIVIDUALS

Customer acquisition

180,000 new Customers

Loans to individuals

New mortgages and consumer loans up from €1.2 billion to €1.5 billion (+28%)

Packages

More than 1 million Customers with day-to-day management solutions

Online brokerage

Leading banking group in online brokerage with a 23.7% market share

Treasury bonds

Placement of +€700 million euros variable income Treasury bonds

Digital banking

More than 680,000 active users

COMPANIES

Customer evaluation

Elected best for Companies, closest to Customers and most innovating bank by DATA E

Factoring

Factoring invoicing up by 35%, average credit balance up by 50% from 2015

Customers

Acquisition and reactivation of 13,500 Customers

Support to exports

"Millennium Exportação" conference and "Portugal Global" roadshow

POSs

Installed POSs up by 12%

Agro-business

Partnership with Agroges, designed to support investment related to Rural Development Program 2020

BCP GROUP IN 2016

BRIEF DESCRIPTION

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese privately-owned bank. The Bank, with its decision centre in Portugal, guides its action by the respect for people and institutions, by the focus on the Customer, by a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola – BMA merged with Banco Privado Atlântico – BPA), and in Europe through its banking operations in Poland and Switzerland. The Bank has operated in Macao through a full branch since 2010, when a memorandum of understanding was signed with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. In 2016, pursuant to a private placement Fosun became holder of 16.7% of the Bank's share capital having afterwards increased its holding to around 23.9% through the share capital increase already carried out in 2017.

HISTORY

INCORPORATION AND ORGANIC GROWTH TO BECOME A RELEVANT PLAYER

1985: Incorporation

1989: Launch of NovaRede

Up to 1994: Organic growth, reaching a market share of approximately 8% in loans and deposits in 1994

DEVELOPMENT IN PORTUGAL THROUGH ACQUISITIONS AND PARTNERSHIPS

1995: Acquisition of Banco Português do Atlântico, S.A.

2000: Acquisition of Banco Pinto & Sotto Mayor from CGD and incorporation of José Mello Group (Banco Mello and Império)

2004: Agreement with CGD Group and Fortis (Ageas) for the insurance business

INTERNATIONALISATION AND CREATION OF A SINGLE BRAND

1993: Beginning of the presence in the East

1995: Beginning of the presence in Mozambique

1998: Partnership agreement with BBG (Poland)

1999: Set up of a greenfield operation in Greece

2000: Integration of the insurance operation into Eureko

2003:

- Banque Privée incorporation
- Change of Poland operation's denomination to Bank Millennium

2006: Adoption of a single brand "Millennium"

2006: BMA incorporation

2007: Beginning of activity in Romania

2008: Strategic partnership agreement with Sonangol and BPA

2010: Transformation of Macao branch from off-shore to on-shore

RESTRUCTURING PROCESS INVOLVING THE DIVESTURE IN NON-STRATEGIC ASSETS

2005:

- Sale of Crédilar
- Sale of BCM and maintenance of an off-shore branch in Macao
- Divesture in the insurance activity, following the partnership agreement with Ageas for the bancassurance activity

2006:

- Sale of the financial holding of 50.001% in Interbanco
- Conclusion of the sale of 80.1% of the share capital of the Banque BCP in France and Luxembourg

2010:

- Sale of 95% of Millennium bank AS in Turkey and sale agreement for the entire branch network and the deposit basis of Millennium bcpbank in USA

2013:

- Sale of the entire share capital of Millennium Bank Greece (MBG) to Piraeus Bank
- Sale of 10% of the share capital of Banque BCP in Luxembourg
- Sale of the full shareholding in Piraeus Bank

2014:

- Sale of the entire share capital of Banca Millennium Romania (BMR) to OTP Bank
- Sale of the entire share capital of 49% in the Non-Life insurance business, held in Ocidental and Médis

2015:

- Sale of the entire share capital of Millennium bcp Gestão de Ativos
- Sale of 15.41% of the share capital of Bank Millennium

2016:

- Merger between Banco Millennium Angola and Banco Privado Atlântico

COMPETITIVE POSITIONING

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

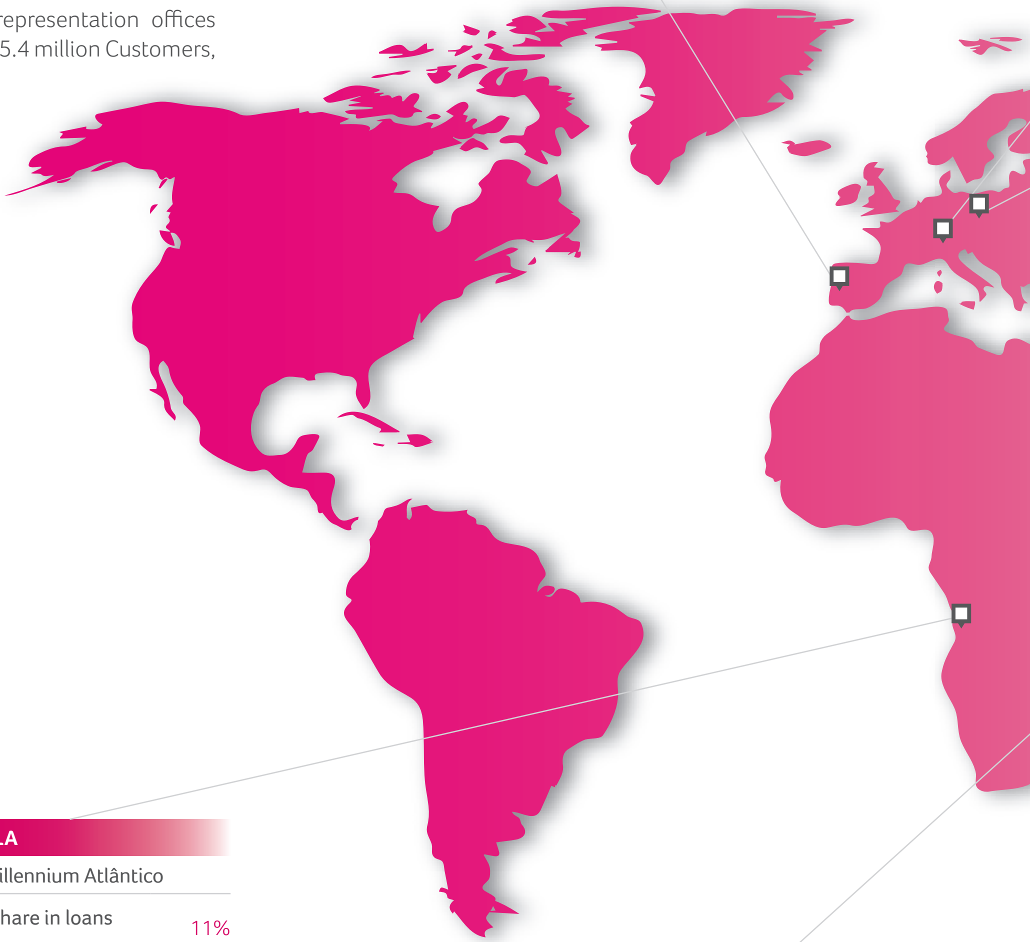
The Bank offers a wide range of banking products and financial services, directed at Individuals and Companies, has a leading position in the Portuguese financial market and is positioned to benefit from the recovery of the Portuguese economy, mainly through the support that the Bank provides to Companies.

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

On 31 December 2016, operations in Portugal accounted for 74% of total assets, 76% of total loans to customers (gross) and 74% of total customer funds. In December 2016, the Bank had over 2.3 million Customers in Portugal and market shares of 17.8% and 17.1% for loans to customers and customer deposits, respectively.

Millennium bcp is also present in the five continents of the world through its banking operations, representation offices and/or commercial protocols, serving over 5.4 million Customers, at the end of 2016.

PORTUGAL	
Market share:	
Loans	17.8%
Deposits	17.1%
Loans to customers (*) (gross)	39,361 M€
Customer funds	47,168 M€
Employees	7,333
Branches	618



ANGOLA	
Banco Millennium Atlântico	
Market share in loans above	11%
Market share in deposits above	9%

MOZAMBIQUE	
Market share	
Loans	29.4%
Deposits	28.5%
Loans to customers (gross)	1,121 M€
Customer funds	1,299 M€
Employees	2,551
Branches	176

(*) Includes Macao branch.

Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been operating since 1995 in Mozambique, where it has over 1.6 million Customers and is the leading bank in this country, with 29.4% of loans and advances to customers and 28.5% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016. The bank resulting from the merger is an associate of Banco Comercial Português.

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, a reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. As at 31 December 2016, Banco Millennium had a market share of 4.5% in loans to Customers and of 5.0% in deposits.

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

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

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

SWITZERLAND	
Loans to customers (gross)	265 M€
Customer funds	2,852 M€
Employees	72
Branches	1

POLAND	
Market share	
Loans	4.5%
Deposits	5.0%
Loans to customers (gross)	10,971 M€
Customer funds	14,306 M€
Employees	5,844
Branches	368

MACAO	
Millennium BCP on-shore branch	
Loans to customers (gross)	429 M€
Customer funds	1,080 M€
Employees	12
Branches	1

CHINA	
Millennium BCP Representative office based in Guangzhou	
Employees	2

MILLENNIUM NETWORK

DISTRIBUTION NETWORK

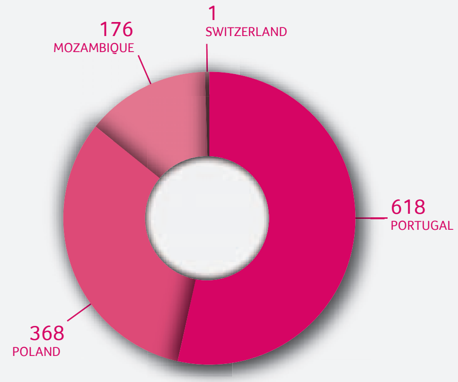
1,163 MILLENNIUM BRANCHES

NUMBER OF BRANCHES

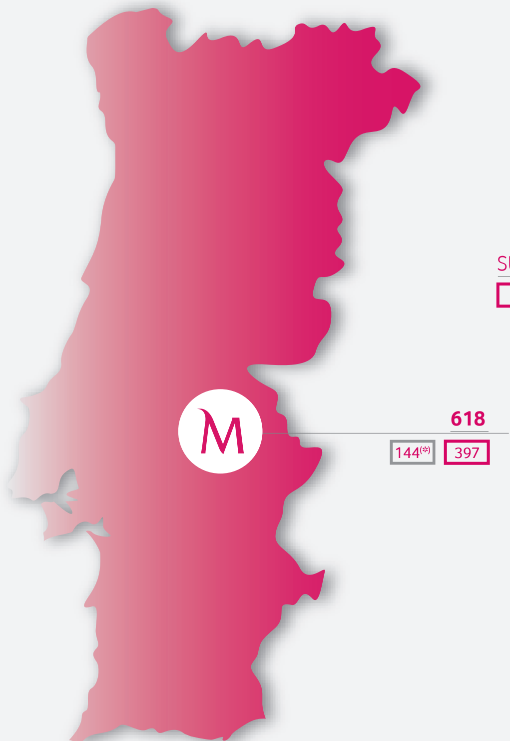
	2016	2015	2014	Chance % 16/15
TOTAL IN PORTUGAL(*)	**618**	671	695	-7.9%
Poland	**368**	411	423	-10.5%
Switzerland	**1**	1	1	0.0%
Mozambique	**176**	169	166	4.1%
TOTAL OF INTERNATIONAL OPERATIONS	**545**	581	590	-6.2%
TOTAL	**1,163**	1,252	1,285	-7.1%

(*) Includes Macao branch.

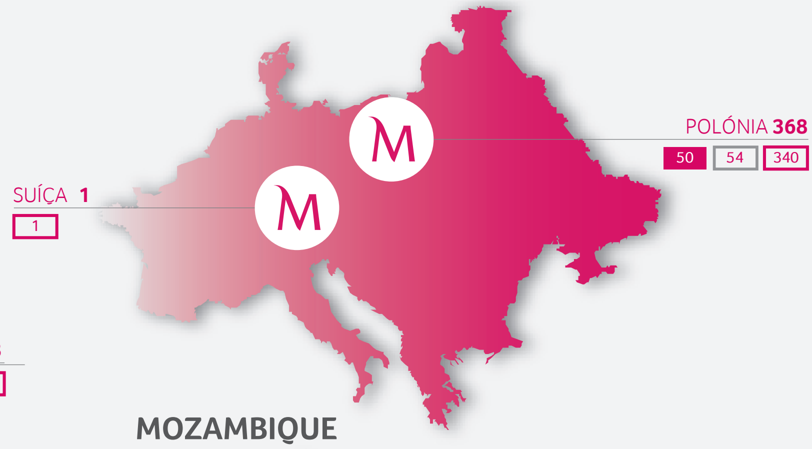
BRANCHES BREAKDOWN



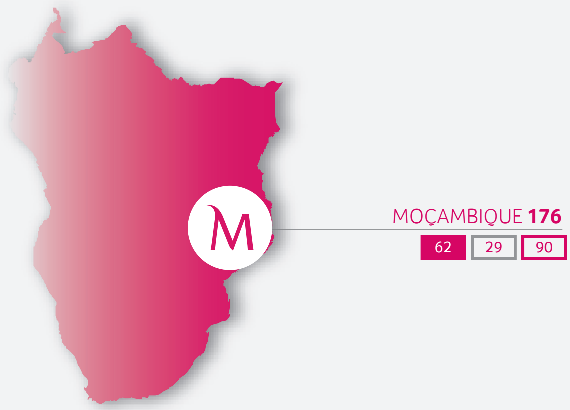
PORTUGAL



INTERNATIONAL
POLAND AND SWITZERLAND



MOZAMBIQUE



TOTAL OF BRANCHES

BRANCHES OPENED ON SATURDAY

BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

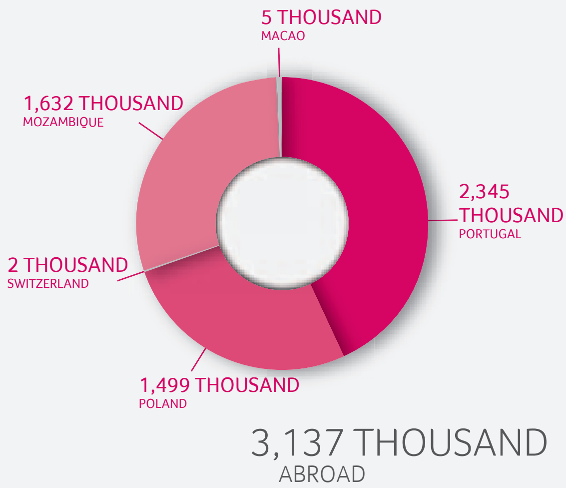
(*) Includes branches of different networks sharing the same premises.

REMOTE CHANNELS AND SELF-BANKING

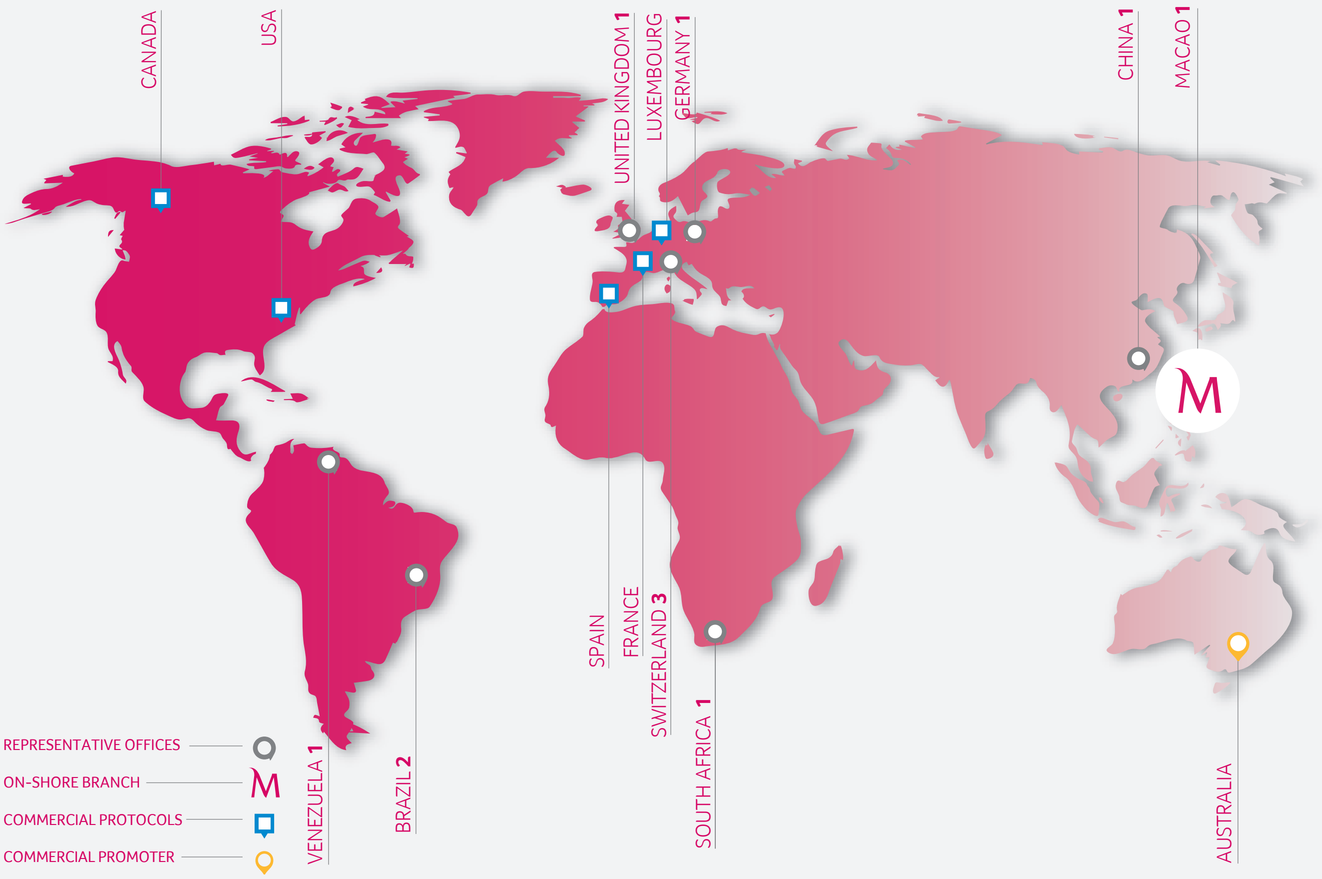
5.482 MILLION CUSTOMERS

	Internet	Call Centre	Mobile Banking	ATM(*)	POS(**)
TOTAL IN PORTUGAL	637,652	130,820	249,474	1,997	46,286
Poland	1,043,427	126,034	599,330	490	-
Switzerland	446	-	-	-	-
Mozambique	18,589	4,766	420,000	478	8,103
TOTAL OF INTERNATIONAL OPERATIONS	1,062,462	130,800	1,019,330	968	8,103
TOTAL	1,700,114	261,620	1,268,804	2,965	54,389

Note: in Portugal are considered Customers/active users those who used Internet, Call Centre or Mobile Banking at least once in the last 90 days.
(*) Automated Teller Machines.
(**) Point of Sales.



REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS AND COMMERCIAL PROMOTER



BUSINESS MODEL

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

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

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

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

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

LARGEST PRIVATELY-OWNED BANKING INSTITUTION

Millennium bcp is Portugal's largest privately-owned banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with strong nationwide coverage.

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

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

At the end of December of 2016, the Bank had 618 branches, serving over 2.3 million Customers, and held the position of second bank (first privately-owned bank) in terms of market share for both loans to customers (17.8%), and customer deposits (17.1%), in December 2016.

RESILIENCE AND SUSTAINABILITY OF THE BUSINESS MODEL

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

In the beginning of 2017 the Bank announced a share capital increase of 1.3 billion euros through the issue of subscription rights, plus the private placement of 175 million euros subscribed by one subsidiary company of Fosun Industrial Holdings Limited ("Fosun"), completed on 18 November with the objective of accelerating the return of the Bank's activity to normalization, including the potential payment of dividends, instead of the phased approach used until then. The issue of rights strengthened the goals of the strategic plan, consisting in the improvement of the profit and loss account induced by the increase of the net interest income (supported by the reduction in the cost of funding due to the repayment of the CoCos and repricing of deposits), by the control on costs and the normalization of the cost of risk in Portugal; and reinforcement of the balance sheet, improving the capital and risk positions, supported by the continuing reduction of non-performing exposures. Total demand recorded in the share capital increase represented around 122.9% of the offer amount. In February 2017, Banco Comercial Português carried out the early repayment to the Portuguese State of the remaining Core Tier 1 capital hybrid instruments ("CoCos"), amounting to 700 million euros. Together with the early repayment of the CoCos, the share capital increase intended to cancel the key restrictions related with the State aid, including the prohibition to distribute dividends, the potential risk of having to sell core businesses and the risk of conversion into a shareholding.

INNOVATION AND CAPABILITY TO DELIVER

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

TECHNOLOGY

With the purpose of continuing to improve its information systems, the Bank developed a number of structuring initiatives and projects in 2016, several of them are part of the Project "Avançar", of which we highlight:

- **Internet –** We must highlight the "M Online consumer loan with automatic funding", the "Pending operations", a facility which enables the Clients to complete in this channel, operations initiated in a branch, the integration of new tools in MContacto, namely the possibility of making the upload of documents in the safe mail, the renewal of the layout of the website of ActivoBank and also the new Stock Exchange Trading platform ("MTrader"). Also in the corporate website, mention should be made to the credit "Avançar", the online form for POS requests and also the real time proof of transaction for international transfers.
- **Mobile Banking –** launching of the "M2020 App", a support tool for companies to help them organize and follow-up the Portugal 2020 Projects and for the "Innovation App", with a distinctive wide set of tools, such as: (i) pre-login widget, (ii) customisable background, (iii) login using finger print (iv) detail of loans and (v) the voice recognition which provide a more comprehensive offer more adjusted to the needs and behaviour of the Customers, increasingly dependent on digital channels.
- **Modernization of branches and Customers' assistance –** It is worth mentioning the completion of new supporting tools for the commercial activity such as providing wi-fi at the branches and the attribution of mobile devices to commercial managers thus enabling a more flexible and easy commercial approach to Customers, the several upgrades to the PAB teller solution and the various improvements to the sales platform iPAC; the "Go Paperless" project already available in all Retail branches with the use of electronic signature in tablets for new processes, namely investment fund operations, stock exchange transactions, subscription of debit and credit cards, maintenance of debit and credit cards, subscription of credit cards, capitalization insurances, PPR/Retirement (retirement savings plans), Médis insurance and dematerialization of the internal teller transactions. These options are also available for ActivoBank. We must also point out the installation of the Millennium Teller machines at Retail branches and the launching of a new solution for the opening and maintenance of corporate accounts. Moreover, we should also highlight the new segmentation of Customers, especially focused on the Prestige profile and the creation of the Prestige file with a number of tools and investment solutions per investor profile, as well as the Corporate Customer file which improved the consultation to the Customer's information, providing greater flexibility for the commercial network to use it. Lastly, the cross networking solution which enables a better detection of commercial opportunities resulting from the assessment of the relations established by our Corporate Customers with the remaining entities of the ecosystem where they are involved.
- **New products and services –** the "MAuto", a new product for vehicles associated to personal loans as well as the "MBWay" payment service and also the adjustments introduced to allow using the pan European platform for the settlement of operations on securities "Target 2 Securities-T2S".
- **Solutions supporting the operating model –** The implementation of the new platform for managing claims, the new model for the follow-up and settlement of credit, the new app for the management of Factoring collections and also the implementation of the TRIAD authorization; the new tools for the credit decision-making process and for the implementation of a new release of Accurate (reconciliation of NOSTRO accounts), as well as for the new wage app; moreover, we must point out the improvements introduced in the system for the attribution of risk scores, in the real estate leasing decision-making process and, within the scope of the solution for credit recovery, reference to the power dialer tools and the outsourcers access and invoicing module. Mention should also be made to the optimization of the factoring and confirming application and for the creation of the new website business intelligence and for the improvements introduced in the solution SWOC (supporting workflow for the credit decision-making process), particularly the summary-table of commercial loans operations. Lastly, reference should be made to the necessary adjustments introduced in the systems for the correct operating aspects of the Bank's shares reverse stock split process.

INTERNET & MOBILE

Millennium bcp continues to pursue its innovation strategy through the launching of Internet and Mobile services enabling to increase the satisfaction and comfort of Customers and, this way, increase the migration to digital channels so as to achieve the defined objectives. The Bank will continue to focus on improving the consumer's experience, fostering the use of the several platforms.

The online Customers of Millennium bcp increased by 15% and the number of transactions made increased around 8%. The main contributions for this growth were given by the performance of mobile banking which, in the Individuals solution, recorded a 41% increase in the number of users and 141% in the number of transactions. The number of users of the Companies Mobile platform increased 30% and the number of transactions increased 53%.

Innovate, simplify and improve the utilization are the main objectives of the digital channels. To increase these goals, the Bank made available the following tools transversal to the several solutions:

- Co-browsing solution to assist Customers and clarify doubts while using the website;
- Pending operations for savings and subscription of integrated solutions of products and services;
- M Contacto, which enables a better communication between managers and Customers.

ONLINE SALES

In 2016 Millennium bcp became the only bank in Portugal to provide its Customers with a totally digital experience in personal loans, wherein the initial simulation, the entire subsequent process and the financing is made in only a few seconds. The M Online loan is available 24 hours a day, 7 days a week. This new tool increased even more the product suitability and contributed in an effective manner to increase the volume of transactions. The sales of personal loans through the digital platforms represent already around 4% of the Bank's total sales and a significant rise is expected to take place in 2017. To continuously improve this product and in order to serve all Client segments in digital channels, the Bank is developing a set of new tools, of which we may highlight a new simulator at the Millennium bcp's website with a more intuitive outlook and the provision of the M Online loan through the Millennium app and also through the Mobile web (Bank's website adjusted to mobile phones: Smartphones and Tablets).

COMMUNICATION WITH CUSTOMERS

Millennium bcp undertook a renewal in 2016 and all its communication strategy was based on a new positioning reflecting the fundamental values of the Millennium bcp of the future – an agile, modern, personal, simple and sustainable Bank - assuming its commitment towards Customers through a new motto – "Aqui Consigo" (Always with you/Here I can).

The communication actions made throughout the year were the unquestionable image of that and of the intention to provide an offer allowing the Bank to become a true partner in the day-to-day activities of its Customers, complemented with a service of excellence and an increasing commitment towards simplicity and technological innovation.

The modernity of Millennium bcp is also expressed through the renewal of the branch's image, with the opening of the "Branches of the Future" and the use of more attractive means of communication such as the digital screens, showing the desire to adequate the commercial areas to the Customers' new behaviours, trends and demands since they want a Bank which is more digital, less bureaucratic and more innovative.

The commercial communication continued to be based on innovation and the capture of new Customers, trying to reach all business segments through a massive, generic and above the line communication, increasingly tailor made and customized.

In that sense, and together with the strong institutional campaign to define its place and the bet on several credit campaigns, we must point out the communication actions targeted at companies and particularly focused on the project Portugal 2020 by means of the organization of events in the entire national territory and actions for residents abroad, namely the already famous summer festivals held during August.

The complementary features of the supports used allowed Millennium bcp to practice a communication strategy based not only on means deemed traditional but also increasingly on digital platforms and social networks, namely the Facebook, Instagram, LinkedIn and You Tube.

Relating to the marketing of the brand Millennium in 2016, we must also mention the sponsorship of the Millennium Estoril Open, the major sporting event in Portugal, confirming the strong bet of Millennium bcp in sports, as well as in cultural events, such as the sponsorship of the Festival ao Largo and the launching of the project Online Dance Company powered by Millennium bcp, of which the Bank is the sole sponsor.

MAIN AWARDS RECEIVED[1]

In 2016, the Group's Banks received several awards, of which the following are noteworthy:

- In accordance with DATA E (Financial Barometer of Companies 2016), Millennium bcp is the "Best Bank for companies", sells products which are "the most adequate to the company's needs", is the "most innovative" bank, the one "closest to its Clients", the "most efficient" and the "main bank for companies";
- Attribution of the "World's Best Digital Banks 2016" for Western Europe by the magazine Global Finance. Millennium bcp won the award in Portugal;
- Distinction of Millennium bcp's website as the best online banking website by the magazine "PCGuia";
- Distinction of ActivoBank with the Award Five Stars 2016, in the category "Banking – Account Opening";
- Distinction of ActivoBank, for the fifth consecutive year, as the "Best Commercial Bank in Portugal", by the World Finance financial magazine, within the scope of the World Banking Awards 2016;
- Best evaluation of the study CSI – Internet Banking 2016 attributed by Marktest to ActivoBank;
- ActivoBank was distinguished with the Award Navegantes XXI in the category "Marketing in Social Networks", an initiative carried out by Associação do Comércio Electrónico e da Publicidade Interactiva (ACEPI);
- The Bank Millennium brand, in Poland, won 1st place in the survey "Consumer's Choice" in the category of Banking Services, achieving the highest grade amongst the six banks evaluated in terms of Customer satisfaction and acceptance;
- Award "Bank of the Year 2015" attributed to Bank Millennium, also winning the 2nd place (amongst 19 banks) in the category "Branch Service Quality" in the awards granted by the website MojeBankowanie.pl;
- Distinction of Bank Millennium as the "The Most Innovative Bank in 2015", at the major Gala of Banking and Insurance World Leaders;
- "Bank of the Year in Mozambique 2015" for the 5th consecutive year by The Banker magazine;
- Award "Best Bank in Mozambique 2016" attributed by the magazine "Global Finance" to Millennium bim;
- Millennium bim was distinguished for its performance in the banking sector having been awarded in the category "Efficiency", within the scope of the VISA Global Service Quality Awards 2016;
- Recognition of Millennium bim as the largest Bank in Mozambique, occupying the 56th place in the list of the major bank institutions in Africa, published in the last edition of the magazine African Business;
- "Best Internet Bank Angola 2015" by Global Banking & Finance Review;
- Millennium Banque Privée was distinguished at the 1st Edition of the "Private Banker International Conference and Awards in Switzerland 2016", with the award Editor's Choice for its innovative portfolio management technological platform.

[1] These awards are of the exclusive responsibility of the entities that awarded them.

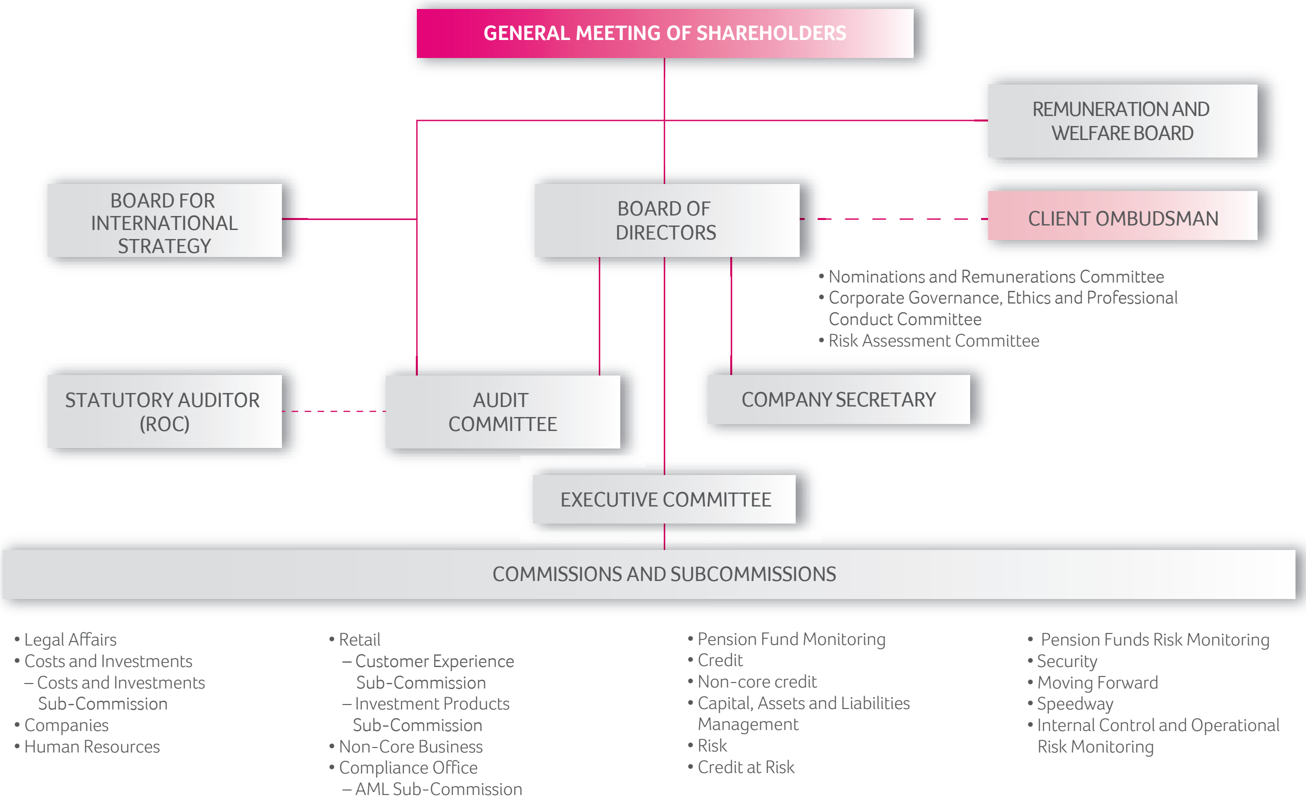
GOVERNANCE

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

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

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

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



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

- Electing and dismissing the Board, as well as the members of the management and supervisory bodies, and the Remuneration and Welfare Board;
- Approving amendments to the memorandum of association;
- Resolving on the annual management report and accounts for the year and proposed appropriation of profits;
- Resolving on matters submitted upon request of the management and supervisory bodies;
- Resolving on all issues especially entrusted to it by the law or articles of association, or on those not included in the duties of other corporate bodies.

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

Under the terms of the articles of association in effect, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members with and without executive duties, elected by the General Meeting for a period of three years, who may be re-elected. The increase of the number of members of the Board of Directors to 25 was approved on 9 November 2016.

The Board of Directors in office as at 31 December 2016 was composed of 21 permanent members, with 13 non-executive and 8 executive members (of which 2, one executive and one Non-executive, were not yet exercising functions).

The Board of Directors appointed an Executive Committee composed of 8 of its members, to which it delegates the day-to-day management of the Bank. During 2016 the Executive Committee was assisted in its management functions by several commissions and subcommissions which oversaw the monitoring of certain relevant issues.

The supervision of the company is made by an Audit Committee elected by the General Meeting of Shareholders and composed of 3 to 5 members, elected together with the majority of the remaining directors. The lists proposed for the Board of Directors should indicate the members to be part of the Audit Committee and indicate the respective Chairperson.

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

The Company Secretary and the Alternate Secretary are appointed by the Bank's Board of Directors, and their term-of-office matches that of the Board of Directors that appointed them.

IDENTIFICATION AND COMPOSITION OF THE GOVERNING BODIES

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

(*) Members appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.
(**) Pending authorization from BdP/ECB to exercise the respective functions.

MAIN EVENTS IN 2016

JANUARY

- Signature of a Protocol between Fundação Millennium bcp and the Association World Monuments Fund Portugal to sponsor the project for the conservation of the arches of the Church of the Jerónimos Monastery.
- Inclusion, for the 2nd time, of Group BCP in the Sustainability Yearbook, a reference publication in the area of Sustainability and edited every year by the analyst RobecoSAM based on the information gathered in the response to Dow Jones Sustainability Indexes.

FEBRUARY

- Operation for the repurchase of debt securities, limited to a maximum global purchase amount of 300 million euros, ended in February 2016. Millennium bcp received valid intentions to sell with the total nominal amount of 378,509,996.96 euros and accepted 85,326,455.52 euros.
- Millennium bcp held another edition of Jornadas Millennium for Companies in Beja.

MARCH

- Selection of Cabot Square Capital LLP, a private equity funds management entity, managing around 1 billion euros, for an exclusive negotiation stage following the process for the evaluation of strategic scenarios to increase the value of ActivoBank.
- Meetings with corporate Clients for the provision of information on the Programme "Portugal 2020".
- Conference for the presentation of markets showing a high potential for exports, which was exclusively sponsored by Millennium bcp within the scope of the Road Show Portugal Global/AICEP.
- As part of the Social Responsibility programme "More Mozambique For Me", Millennium bim installed two fountains in Muxungué and Guvuroas to provide its population with access to drinking water.
- Group BCP is part of the environmental sustainability indexes "ET Europe 300 Carbon Ranking", "STOXX® Europe 600 Low Carbon" and "EURO STOXX® Low Carbon".

APRIL

- The Bank held its General Meeting of Shareholders with the presence of Shareholders owning 45% of its share capital. All the proposals presented were approved with a percentage of votes in favour of 94% to 99%. We must point out the approval of the 2015 Annual Report, the proposal for regrouping shares, the proposal to allow the Board of Directors to carry out new share capital increases if necessary through an issue of shares up to the maximum global amount corresponding to 20% of the total amount of the share capital, with the suppression of the preference right.
- The deed of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was signed on 22 April 2016.
- Millennium bcp was part of the group of Portuguese companies organized by AIP to visit the Dubai International Property Show and afterwards the International Property & Investment Expo/ Spring in Beijing.
- Sponsorship of the French Investment Forum held by the Portuguese-French Chamber of Commerce.
- The Bank Millennium, in Poland, was distinguished by the Foundation Widzialni for the accessibility of its website to individuals with special needs.

MAY

- Participation in the Investment Forum on Spanish Real Estate in Madrid which enabled to initiate contacts with local intermediaries and with investors who are convinced that Portugal is also a profitable destination for the development of a business and increase gains and participation in the Portuguese Real Estate Exhibition in Paris.
- Launching of another version of the Millennium App, mainly featuring innovation and simplicity, including a number of new tools to improve user experience.
- The Bank launched the first App exclusive for companies, to help them, anywhere and using any device (computer, smartphone or tablet), organize, simplify and follow-up their daily activities within the scope of the Portugal 2020 projects.
- Restyling of the ActivoBank website with a simpler homepage, with modern icons and a better image, pages with a new design and with the font of the brand giving it a simpler and more modern look; the transactions area now occupies the entire screen for better use, making the Client's access to the several transactions easier, transforming it into a more transparent and user friendly area.
- Bank Millennium was awarded the "POLITYKA CSR Silver Leaf 2016", a prize awarded to companies that implement Corporate Social Responsibility policies and Sustainable Development activities.
- Participation at a national level in the food collection campaigns promoted by the Food Bank every six months.

JUNE

- Conclusion of the evaluation of the several strategic scenarios to increase the value of ActivoBank, the reference online bank in Portugal. The Bank decided to maintain ActivoBank in the perimeter of Group BCP in view of its ability to generate value within the context of the expected evolution of BCP's banking business model.
- Launching of a new tool in the Individuals website, namely the process for the collection of data for the opening of an account, whose purpose is to make the opening process easier and swifter, namely allowing the Bank's Clients and non-Clients to carry out a significant part of this process using the website.
- Bank Millennium sponsored the Entrepreneurial Forum Poland – Portugal – Angola – Brazil – Mozambique, addressed to companies interested in establishing business relations with Portuguese-speaking countries. Organized by the Chamber of Commerce Poland-Portugal with the support of the Embassies of Portugal, Angola and Brazil in Warsaw and by the Embassy of Mozambique in Berlin, the event also had the support of the Polish Ministry of Economic Development.
- The Foundation Bank Millennium launched a volunteer programme addressed to all Bank Employees – the Millantrop – aimed at supporting local communities.

- Group BCP was part, for the first time, of the sustainability indexes FTSE4Good Global and Europe Index, of the analyst FTSE Russel, a reference in the ESG (Environmental, Social and Governance) performance evaluations.

JULY

- Decision to empower the Executive Committee to pursue and complete with exclusivity the negotiations with Fosun and present the respective results for approval at the next meeting of the Board of Directors.
- Publication by EBA of the results of the stress tests 2016 at the European Union level which involved a significant sample of the European Banks. Besides coordinating the exercise, EBA was responsible for conducting it for the majority of the Banks of the euro area. The ECB also carried a parallel stress test for additional significant banks supervised by it, including BCP. The minimum ratio of 5.5% CET1 (phased-in) required in 2014 continued to be the reference in the adverse scenario. The ratio CET1 (phased-in) presented by BCP stood at 7.2% in the adverse scenario (versus the 2.99% recorded in the 2014 stress tests).
- Millennium bim in Mozambique organizes the 11th edition of the Mini basketball tournament, involving more than 1,750 athletes aged 6 to 11, coming from 10 cities.
- Millennium bcp renews its subscription to the Movement ECO – Empresas Contra os Fogos (Companies Against Fires), a project that aims to contribute to the prevention of forest fires and increasing public awareness towards risk behaviours.

SEPTEMBER

- Positive appraisal of the development, with substantial progress, of the negotiations established with Fosun Industrial Holdings Limited mentioned in the Bank's press release dated 14 January 2016 having also considered the favourable evolution which already took place concerning the fulfilment of the precedent conditions to which the investment proposed by Fosun is subject to. Some conditions have not yet been fulfilled, namely the approvals by the banking supervision entities.
- Resolution to regroup without reducing the share capital, the shares representing the share capital of the Bank due to the publication on 26 September 2016 of the Decree-Law nr. 63-A/2016, of 23 September, confirming, in accordance with the provisos of the resolution adopted at the general meeting held on 21 April 2016, that the legal framework set forth by the above mentioned Decree-Law suits its corporate interest and, consequently, stating its effectiveness as of 27 September 2016.
- Renewal of the annual protocol providing financial aid to Sociedade Portuguesa de Autores (Portuguese Authors Association).

OCTOBER

- Regrouping, without reducing the share capital, of the shares representing the Bank's share capital by applying a regrouping quotient of 1:75. The regrouping was applied to all shares in the same proportion.
- BCP Group confirmed in the Sustainability Index "Ethibel Sustainability Index (ESI) Excellence Europe" from Forum Ethibel.

NOVEMBER

- On 9 November 2016, Banco Comercial Português, S.A. held its Annual General Meeting, where 34.7% of the share capital was present or represented, having adopted the following resolutions: (i) Item One – Approval of the maintenance of the voting limitations foreseen in articles 26 and 25 of the articles of association; (ii) Item Three – Approval of the alteration of the articles of association by altering the article 2 (1), article 11 (1), article 17 (3), article 21 (1), article 22 (1), article 31 (6), article 33, article 35 (2), article 37 (1) and suppression of article 51; (iii) Item Four – Approval of the increase of the number of members of the Board of Directors. Before the beginning the debate on item two, which was transferred to the end of the session, the Shareholders approved the proposal presented by the Board of Directors recommending the suspension of the meeting to be resumed on 21 November 2016.
- In accordance with the resolution adopted at the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the Shareholders, BCP´s Board of Directors approved a resolution to increase BCP's share capital, by way of a private placement of 157,437,395 new shares, subscribed by Chiado (Fosun) at a subscription price of 1.1089 euros per new share. The share capital increase by way of private placement has been subscribed by Chiado, and its registry was requested of the competent Commercial Registry Office on 18 November 2016 and, as such, the current share capital of BCP is now of 4,268,817,689.20 euros, represented by 944,624,372 ordinary, book-entry shares without nominal value.
- In 21 November 2016, the 2nd session of the General Meeting of Shareholders of 9 November 2016, took place with 34.7% of the share capital represented. The Shareholders present and represented approved the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 19 December 2016.
- Foundation Bank Millennium launched the project Financial ABC, the purpose of which is to give basic financial concepts to more than 5000 pre-school children.
- Millennium bim carried out the 7th edition of the Banking Olympics 2016, a project intending to educate a new generation of financial services consumers in Mozambique.
- Microcredit Millennium bcp – 5th edition of the Award Realizar, an annual initiative that distinguishes entrepreneurs.

DECEMBER

- The 3rd session of the General Meeting of Shareholders of 9 November 2016 took place on 19 December 2016 with 33.5% of the share capital represented. The Shareholders present and represented approved the proposal on the alteration of the voting limitations set forth in article 26 (1) of the articles of association.
- Following the resignation of Mr. Bernardo de Sá Braamcamp Sobral Sottomayor, according to the announcement made on 29 February 2016, the State appointed Mr. André Palma Mira David Nunes, as non-executive member of the Board of Directors, to be its representative in the Bank's corporate bodies. Mr. André Palma Mira David Nunes will also be a member of the Committee for Risk Assessment and of the Committee for Nominations and Remunerations.
- Under the Restructuring Plan approved by the European Commission following the injection of State funds in June 2012, Banco Comercial Português, S.A. informed that it repaid 50 million euros of CoCos on 30 December 2016.
- Project "Millennium bim Responsible", part of the Social Responsibility Programme "More Mozambique for Me" rehabilitated the paediatrics service of the Provincial Hospital of Inhambane, once again with the participation of Bank volunteers.
- Bank Millennium Poland was part, for the ninth consecutive time, of the RESPECT Index – the first index of socially responsible companies of Central and Eastern Europe.
- Millennium bcp launches the internal action for the collection of food "Millennium Solidário – Campanha de Natal", in favour of C.A.S.A.
- Millennium bcp participated once more, at a national level, in the food collection promoted by the Food Bank.

SUBSEQUENT EVENTS

- **Increase of the share capital from 4,268,817,689.20 euros to 5,600,738,053.72 euros.**

The Board of Directors of Banco Comercial Português, S.A. resolved on 9 January 2017, with the prior favourable opinion of the Audit Committee, to increase the share capital from 4,268,817,689.20 euros to 5,600,738,053.72 euros to be made through a Rights Offering addressed to Shareholders in the exercise of their preference rights and remaining investors who purchased subscription rights, through the issue of 14,169,365,580 new ordinary, nominative and book-entry shares without nominal value. As a result of the transaction, the number of ordinary shares of BCP became 15,113,989,952.

The subscription price was set at 0.0940 euros per share. To each holder of ordinary shares of the Bank was attributed a subscription right for each share representing the share capital of the Bank held on that time.

Following the subscription by Chiado (Luxembourg) S.à.r.l., a company of Group Fosun of the reserved capital increase completed on 18 November 2016, which gave it a holding of approximately 16.67% of the BCP's share capital, Chiado already presented an irrevocable order for the early subscription of a number of shares which, if fully satisfied, would enable Fosun to hold 30% of the share capital of BCP after the Offer, a percentage reached through the exercise of the subscription rights inherent to the shares it held on that date and, additionally, by an additional subscription order and/or the potential exercise of other subscription rights it could acquire. This order could only be withdrawn if material adverse changes took place which caused the Joint Global Coordinators to stop the Underwriting Agreement mentioned herein under.

In accordance with the subscription order Chiado committed to (i) a lock-up period concerning the sale of the shares it subscribed in the exercise of its proportional subscription rights inherent to the stake acquired within the scope of the Reserved Share Capital Increase, with a three-year duration, commencing on 18 November 2016 and to (ii) carry out all reasonable and appropriate acts to prevent the sale and transfer of any shares it acquired during the Rights Offering within the 30 days following the conclusion of the Rights Offering. This limitation does not prevent Chiado from encumbering the shares it subscribed.

The Bank was informed that, within the context of the alteration to 30% of the vote count limit foreseen in the articles of association of BCP, Sonangol requested and obtained permission from the European Central Bank to increase its holding in the share capital of BCP to approximately 30%, but has no information of any decision made by Sonangol relating to the Offer, namely on the exercise, sale and/or purchase of any subscription rights.

Within the scope of the Rights Offering, BCP also entered into an underwriting agreement with a banking syndicate according to which these institutions agreed to sign a standby commitment, subject to certain conditions, for all eventually remaining shares of the Rights Offering, excluding the shares to be subscribed by Chiado in accordance with the irrevocable order for the early subscription, jointly and not severally.

The 14,169,365,580 new shares issued in the Offer, as well as the 157,437,395 shares fully subscribed and paid by the Shareholder Chiado (Luxembourg) S.à.r.l. in the reserved share capital increase of BCP (amounting to 174,582,327.32 euros) concluded on 18 November 2016, started trade in the Euronext Lisbon regulated market from 9 February 2017.

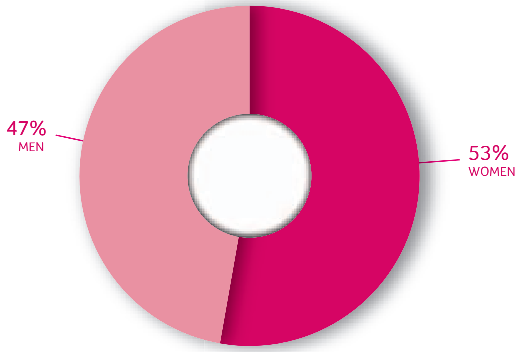
Thus, the share capital of BCP, as of this date, amounted to 5,600,738,053.72 euros, represented by 15,113,989,952 ordinary, nominative and book-entry shares without nominal value.

- **Repayment of the capital hybrid instruments (CoCos)**

On 9 February 2017, Banco Comercial Português carried out the early repayment to the Portuguese State of the remaining Core Tier 1 capital hybrid instruments ("CoCos"), amounting to 700 million euros. This repayment, which represents the return to normalisation of the activities carried out by BCP, had been previously approved by the European Central Bank, provided that the share capital increase concluded by BCP on this date proved to be successful.

RESPONSIBLE BUSINESS

BREAKDOWN BY GENDER
Percentage



BCP Group continues to pursue dynamic strategies appropriate to the new challenges imposed by the different Stakeholders with which it is related. The main objectives of the adopted sustainability policies, which foster a culture of Social Responsibility, have been to positively influence the organisation's value proposition in the long-term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources and the environment.

The selection of the topics addressed in this chapter took into consideration the materiality analysis of issues pertaining to sustainability, pursuant to the matrix of materiality presented in the Sustainability Report of 2016.

EMPLOYEES

BCP Group ensures, in its different operations, a fair treatment and equal opportunities to all its Employees, promoting meritocracy at all stages of their career and defining their remuneration in accordance with category, professional path and level of achievement of the established objectives

The general principles that rule the BCP Group established a series of values and benchmarks, universally applicable to all Employees, resulting in a clear and unequivocal guidance, so that, regardless of the respective hierarchical or responsibility level, all Employees always act in a fair manner, with no discrimination, and also reaffirming the commitment to the ten Global Compact Principles, under which the Group recognises and supports the freedom of association and the right to collective work agreement negotiation and rejects the existence of any form of forced and compulsory labour, including child labour.

The commitments undertaken by Group BCP within the scope of human rights, labour conditions and equal opportunities are also enshrined in the corporate policies. Of which the policies on Human Rights, Equality and Non-Discrimination and Occupational Health and Safety are an example.

TRAINING

The Employees are one of the strategic pillars of Group BCP, reason why training has always been seen as a priority for the development of their professional and personal skills. The search for excellence in the quality of the service provided to Customers involves identifying the training which is most suited to the specific needs of each Employee, taking into account the Bank's strategic objectives.

TRAINING

	2016	2015	2014	Change % 16/15
NUMBER OF PARTICIPANTS [1]				
Presencial	**39,350**	23,881	30,124	64.8%
E-learning	**194,499**	185,474	244,601	4.9%
Distance learning	**68,914**	45,975	78,080	49.9%
NUMBER OF HOURS				
Presencial	**241,384**	284,650	252,134	-15.2%
E-learning	**94,199**	109,515	114,139	-14.0%
Distance learning	**171,046**	76,590	214,060	123.3%
BY EMPLOYEE	**32**	27	33	19.7%

Note: Data for 2016 do not include Angola, whose operation was discontinued in 2016.
[1] The same Employee could have attended several training courses.

In overall terms, 2,488 training actions were ministered, corresponding to over 506,600 hours of training, with an average of 32 training hours per Employee. During 2016, the training effort kept its focus not only on the commercial areas, but also on technical, operational areas and on team management.

TALENT MANAGEMENT

At Group BCP, people management is a foundational vector and one of the most important pillars of the Bank's competitiveness and sustainability. Simultaneously with the valorisation of general and specific skills, it is crucial, in an organisational enhancement perspective, to identify Employees with potential and talent, so that in future they can perform duties of higher complexity and responsibility.

The development programmes implemented in the different geographic areas of Group BCP are thus a specific response to Employees with high performance and potential, enabling: (i) recently recruited Employees to acquire a transversal overview of the business and best practices of the organisation; and (ii) experienced Employees the opportunity to acquire the necessary skills so that in future they can perform more complex roles with higher responsibility.

APPRAISAL AND RECOGNITION

At the BCP Group, the individual performance assessment models, based on a process of counselling and guidance towards the development of skills, gives rise to opportunities of dialogue between the senior staff and their Employees, enabling the further deepening of a culture of personal accountability for the development of their careers.

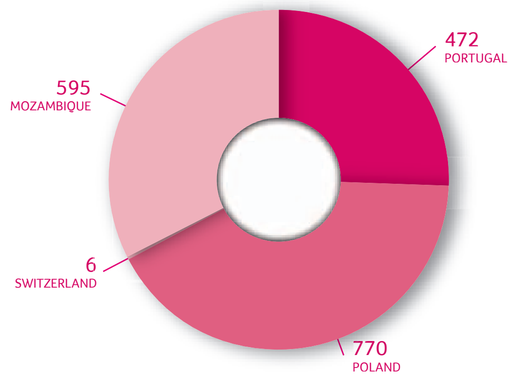
Together with an attitude of encouragement of Employee valorisation and adoption of best practices, the BCP Group upholds a policy of recognition of the merit and dedication shown by each Employee, through a system of incentives, a professional valorisation plan based on merit and specific distinctions, attributed to Employees with excellent performance.

SATISFACTION WITH INTERNAL CUSTOMERS

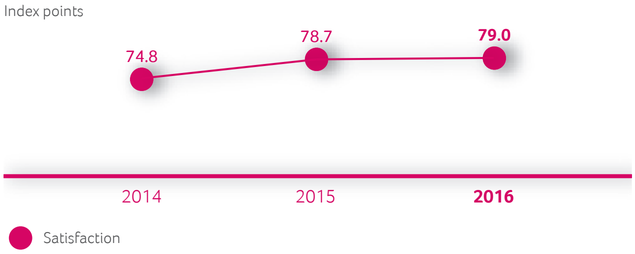
Since Employees constitute one of the strategic pillars of the BCP Group, their level of satisfaction with the service provided by the different internal areas – with direct relation and reflection on the quality of the guaranteed Customer service – is an important endogenous indicator to assess the Bank's effectiveness and perceived efficiency.

The opinion surveys were maintained regarding the satisfaction with the internal service among Employees who interact with other areas to perform their duties, in order to, as part of a continuous improvement policy, identify opportunities for improvement and optimisation of the processes, technological solutions and procedures in force.

PROMOTIONS
Number of Employees



SATISFACTION WITH INTERNAL SERVICE
Index points



In Portugal, the total value of 79 i.p. reflected a significant increase compared to the previous year confirming the improvement trend recorded in the last three years.

BENEFITS

The BCP Group offers its Employees a series of corporate benefits, apart from those established in the applicable legislation. Concerning health and safety, in Portugal and Poland, Millennium Employees benefit from a dedicated medical staff and medical units, which, in Portugal, now include Nutrition and Clinical Psychology. They also benefit from regular medical check-ups. In Mozambique, Millennium bim has: (i) a medical office, which, in addition to medical appointments, also offers various specialities and basic health care; (ii) an HIV office, ensuring prevention and follow-up of this disease; and (iii) social support office, offering counselling to Employees.

HEALTH SERVICES[1]

	2016	2015	2014	Change % 16/15
MEDICAL SERVICES				
Appointed held	**25,171**	26,426	35,110	-4.7%
Check-ups made	**8,318**	8,413	9,253	-1.1%
HEALTH INSURANCE				
Persons covered	**47,286**	50,277	52,039	-5.9%

Note: Data for 2016 do not include Angola, whose operation was discontinued in 2016.
[1] Includes active and retired Employees.

Employees of the BCP Group benefit from mortgage loans, permanently and under special conditions. The loans are granted in observance with the credit risk principles instituted in the Bank's regulations. Employees may also benefit from credit for social purposes which, among others, covers situations of credit needs in order to meet expenditure related to education, health, improvements to their own or rented home, and other products and services of exceptional nature.

(Million euros)

CREDIT TO EMPLOYEES[1]

	2016		2015		2014	
	Amount	Employees	Amount	Employees	Amount	Employees
MORTGAGE						
In portfolio	**719.6**	**9, 973**	790.1	10, 558	853.7	10, 989
Granted in the reporting year	**22.6**	**323**	23.9	338	18.4	310
SOCIAL PURPOSES						
In portfolio	**10.3**	**2, 910**	20.5	3, 683	23.0	3, 803
Granted in the reporting year	**3.4**	**907**	7.5	1, 288	10.8	1, 372

Note: Data for 2016 do not include Angola, whose operation was discontinued in 2016.
[1] Includes active and retired Employees.

EVOLUTION OF STAFF NUMBERS

In 2016, versus the previous year, the number of Employees of Group BCP decreased 0.7% (-107 Employees), taking already into consideration the discontinuation of the Angolan operation. Of the 15,920 Employees of the Group, 54% worked in the international business and 46% in Portugal.

EMPLOYEES[1]

	2016	2015	2014	Change.% 16/15
TOTAL IN PORTUGAL	**7,333**	7,459	7,795	-1.7%
Poland	**5,964**	5,992	6,183	-0.5%
Switzerland	**72**	71	69	1.4%
Mozambique	**2,551**	2,505	2,513	1.8%
TOTAL INTERNATIONAL	**8,587**	8,568	8,765	0.2%
TOTAL	**15,920**	16,027	16,560	-0.7%

[1] Information about the number of Employees (not FTEs – Full-Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.
Note: Does not include Millennium bcp Bank & Trust Employees.

In Portugal, the downward trend in the number of Employees continued, with 227 having left, 81% of whom through mutual agreement and/or retirement plans and the admission of 51 new Employees. Among the Employees who left, 44% worked in the commercial areas.

In Poland, the total staff number also declined (-0.5% relative to 2015), with 1,042 having left, 71% of whom through own initiative, and 72% allocated to commercial areas, which was partially offset by the recruitment process which integrated 1,025 Employees.

However, in Mozambique, the bank maintained its trend of growth of number of Employees (1.8%) with the recruitment of 224 Employees and leaving of 178 Employees, 42% of the latter through own initiative and 63% allocated to commercial areas.

CUSTOMERS

SATISFACTION SURVEYS

In Portugal, Millennium bcp continues to focus on the model of assessment of Customer experiences. 24 hours after interaction with the Bank, the Customer is invited to answer a brief questionnaire aimed at assessing Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.

In 2016, the Net Promoter Score indicator (NPS) of Prestige Customers, which reflects the Bank recommendation level, increased to 55.3 points, corresponding to -1.9 points more than in 2015, following the decrease in the percentage of Promoter Customers from 65.4% to 64.3% and the slight increase of 0.9% of the percentage of Detractor Customers. For Mass-Market Customers, the percentage of Promoter Customers increased from 69.1% to 72.1%, and the percentage of Detractor Customers fell by -1.3%, reflected in an increase of the Millennium bcp NPS from 58.4 to 62.7 (+4.3 points). The NPS of Business Customers also improved, having increased to 54.6 (53.9 in 2015), with 8.7% of Detractor Customers and 63.3% of Promoter Customers. Over 150,000 Customers were surveyed.

The programme "#1 in Customer Experience" is a transformational project to provide Clients with distinctive and memorable experiences through the ongoing improvement of the product and service range, the adaptation of the Bank's channels to today's trends, the simplification of processes and, naturally, the development of the Employees' skills.

Within this scope, the Bank held in 2016 a comprehensive training programme involving more than 2,600 Employees of the branches. The programme approached themes related to Customer service practices, sales techniques, management of objections and transmitted the principles of a new Customer service model adjusted to each type of branch and service provided.

After these in-house training sessions, the Bank created a monthly systematic training to be developed in each branch, named Training #1, with the purpose of consolidating the acquired knowledge and ritualize the practices and behaviours able to provide an experience of excellence to our Clients.

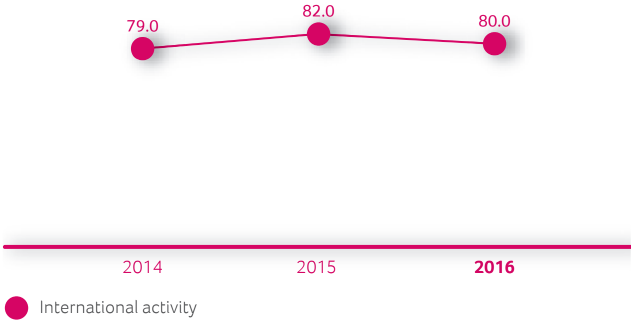
In order to strengthen the measurement of satisfaction and loyalty in the various Customer segments, Millennium bcp continued to monitor various market studies carried out by specialised companies, so as to obtain indicators to position the Bank in the sector and assess, in an evolutionary way, market perception with regard to quality of the service provided, the Bank's image and the products and services it sells. Three of these studies are the BASEF Banca, the BFin (DataE) and the BrandScore.

In the international activity, Customers' overall satisfaction levels with the Bank recorded a value of 80 index points (i.p.), influenced by the downturn in Mozambique, which fell from 80 to 75 i.p.

In Poland, with 85 i.p. of global satisfaction, the internet banking and mobile banking channels reached 99% of positive reviews in 2015.

CUSTOMERS SATISFACTION

Index points



Information not available for Switzerland.

COMPLAINTS

In Portugal, the total number of complaints, 20,423, showed a significant decrease if compared to the previous year. The majority, 76%, are claims related to current account debit/credit entries, card transactions and mortgage loans. The effort made aiming at a rapid resolution of the claims has been a constant concern of the Bank which has been able to guarantee an average response deadline of 6 business days, with 64% of the claims being solved in up to three days.

Regarding international activity: (i) Poland recorded 5.8% more complaints than in the previous year, with 83% regarding current accounts, mortgage loans, card transactions and automatic services; (ii) in Mozambique, the complaints increased 7.2% with cards, automatic services and current accounts being the most frequently mentioned issues.

CLAIMS

	2016	2015	2014	Change % 16/15
CLAIMS REGISTERED				
Activity in Portugal	**20,423**	27,529	27,126	-25.8%
International activity	**53,940**	51,579	46,658	4.6%
CLAIMS RESOLVED				
Activity in Portugal	**18,454**	26,739	25,668	-31.0%
International activity[1]	**51,894**	50,141	45,472	3.5%

Note: Data for 2016 do not include Angola, whose operation was discontinued in 2016.
[1] Includes valid claims related with the disregard of the privacy of Customers in Poland (28) and in Mozambique (25), based on the wrong processing of personal data and operational errors.

The average response time recorded was 16 consecutive days in Poland, and 7 business days in Mozambique.

CULTURE OF RIGOUR

The BCP Group considers that respect for the defined mission and values of the organisation, combined with compliance with its approved strategy, depends, first of all, on each Employee. Hence, the Group encourages a culture of rigour and responsibility, supported by mechanisms for the dissemination of information, training and monitoring, so as to permanently ensure strict compliance with the instituted rules of conduct.

In this context, the implementation of specific training activities and the monitoring of the Compliance Office teams has been a constant feature. Thus, joint action with the different business areas enabled the training, in Portugal, of 733 Employees in various topics related to the activity of the Compliance Office, always focused on the Employees' awareness of the need to adopt a professional conduct and behaviour in accordance with a culture of ethics and rigour when performing daily duties. This figure, which registers a significant increase when compared with the one verified in 2015, results from the increase in specific training in internal control issues. Endowing the Employees with skills for the execution of complex due diligence processes and collection of information on Customers, especially those presenting non-negligible risk levels, with a view to mitigating operating risks and risks of fraud, continues to be part of the Group's activities plan.

EMPLOYEES IN COMPLIANCE TRAINING ACTIONS[1]
AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Subjects

	2016	2015	2014	Change % 16/15
Activity in Portugal	**747**	262	1,035	185.1%
International activity	**5,725**	6,857	7,276	-16.5%
TOTAL	**6,472**	7,119	8,311	-9.1%

[1] The same Employee could have attended several training courses.

The adequacy and effectiveness of the Bank's internal control system as a whole and the effectiveness of the risk identification and management processes and governance of the Bank and Group continued to be assured through audit programmes which include the analysis of behavioural matters, compliance with legislation, other regulations and codes of conduct, correct use of delegated competence and respect for all other principles of action in force, in relations with external and internal Customers.

Relations of cooperation and loyalty have also been maintained with the judicial authorities and with national and international conduct supervision authorities. Within this scope and by its own initiative, it made a total of 372 communications to local Judicial Entities and replied to 1,004 requests.

SOCIAL AND ENVIRONMENTAL PRODUCTS AND SERVICES

The BCP Group offers a complete and broad range of financial products and services, and continues, under the development of its business lines, responsible for offering products and services which incorporate social principles and respect for the environment and nature.

The BCP Group is also aware that the implementation of social and environmental criteria and standards in the commercial offer is reflected in more efficient risk management, reputation value and higher quality of the products and services offered to Customers.

In Portugal, Millennium bcp Microcredit continues to be recognised as an alternative for the funding and feasibility of entrepreneurial action and own-job creation, having approved 333 new operations, which corresponds to total credit granted of 3,260 thousand euros, and helped to create 564 jobs. The volume of loans granted to the 1,171 operations in portfolio stood at 12,622 thousands euros, corresponding to principal of 7,834 thousands euros.

With the objective of continuing to support Clients in financial difficulties and prevent default, Millennium bcp also maintained its focus on the stimulation and applicability of SAF packages (Financial Follow-up Service). In this context, 19,451 contractual amendments were made during 2016 (5,905 mortgage loans and 13,546 consumer credit), with a restructuring value of 410 million euros (344 mortgage loans and 66 consumer credit) and comprised 15.790 Clients (3.706 mortgage loans and 12.084 consumer loans).

For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account available, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. 574 accounts with these features were opened, corresponding to a total of 3,406 accounts in the Bank's portfolio.

As for students who have decided to continue their academic path, the Bank granted 81 new loans in 2016, amounting to 811 million euros, under the University Credit Line. The volume of credit granted to the 366 operations in the portfolio amounted to 1.7 million euros.

Also in Portugal, the Bank has continued to reinforce its support to companies through agreed credit facilities, adjusted to the particularities of the sector and economy, in particular:

- Support to enterprise creation investment projects by unemployed persons, through the following credit lines: (i) Microinvest Line – which financed 59 entrepreneurs to a total of 640 thousand euros; and (ii) Invest+ Line which supported 40 entrepreneurs, to a total value of 1,596 thousand euros;
- Support for companies which need to meet treasury needs and seek to implement investment projects; 28 operations were financed to a total of 2,513 thousand euros through the INVESTE QREN Line;

ESTAMOS A CONSTRUIR O FUTURO

SUSTENTABILIDADE

- Funding lines (SME Growth and SME Invest) aimed at SMEs intending to carry out investment projects or increase their working capital. Completion of 2,175 operations, with total funding of 230,004 thousand euros;
- Regarding support to companies in the agricultural and/or fisheries sector, 104 operations were conducted involving a total financing of 6,124 thousand euros through the PRODER/PROMAR and IFAP Short-term credit lines;
- A credit line – Social Invest – was launched in 2013 to facilitate the inclusion of Third Sector institutions in the financial system. In 2016, the Bank maintained 10 operations in portfolio, with a total value of 457 thousand euros;
- Credit Lines to Support Tourism, aimed at supporting, with favourable conditions, companies that develop activities related to tourism. 5 operations were financed, to a total amount of 4,253 thousand euros.

In Poland, the WWF Millennium MasterCard credit card, offered since 2008, takes up an environmental commitment. For each card subscribed, the Bank transfers to WWF Poland (World Wide Fund for Nature) half of the first annuity and a percentage of each transaction made. In 2016, more than 11.3 thousand euros were transferred, totalling 1.515 cards, 308 of which subscribed to this year.

The BCP Group meets the needs of investors that consider it relevant to cover, in their investments, social and environmental risk factors, placing Responsible Investment Funds at their disposal for subscription:

- In Portugal, the funds are available through: An online platform of Millennium bcp – which marketed 4 environmental funds in the area of energy, amounting to a portfolio value above 1,287 thousand euros on 31 December; and (ii) ActivoBank – offering 16 investment funds, of which 8 are ethic funds and 8 are environmental funds, with a total portfolio value above 596 thousand euros. On 31 December, 9 of these funds had participation units subscribed during the year, with a global subscribed value amounting to 66 thousand euros, a decrease versus the 191 subscribed in 2015;
- In Poland, Bank Millennium also has a solid offer of SRI funds, fundamentally aimed at Customers of the Prestige and Private segment, reflecting the investment in businesses whose principles incorporate environmental concerns, namely regarding climate change. The four available funds were subscribed by 1,857 Clients, assuring a subscribed value of 21.1 million euros.

SUPPORT TO THE COMMUNITY

The BCP Group's strategy aims to foster a culture of social responsibility, developing actions for various groups of Stakeholders with the objective of contributing directly or indirectly to the social development of the countries in which it operates. And it is in this context of proximity to the community that its policy of social responsibility has developed, giving priority to its intervention on cultural, educational and social initiatives.

In Portugal, Millennium bcp has continued to foster and create opportunities for the Employees' participation as volunteers in actions to support the external community:

- In the context of the Food Bank's food collection campaigns, Millennium bcp once again was present at the collection warehouses, helping to separate and store the food. In 2016, in the two regular campaigns, the Bank encouraged the participation of more than 240 volunteers at national level, including Employees and their families;
- The Bank supports Junior Achievement Portugal (JAP) in its entrepreneurial, creativity and innovation projects, through the Bank Employees participation as volunteers. In the academic year of 2015/2016, 55 Bank volunteers participated in the Junior Achievement programmes, contributing with 666 hours and benefiting 1,363 students.

The Bank has also been organizing, supporting and following internal solidarity actions that promote a culture of proximity and add social value and also constitute a significant contribution for the materialization of its Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Operations, Quality and Network Support and Credit Recovery Divisions, we highlight:

- "DBD Social Responsibility", collection of personal hygiene items and of school material to deliver to Centro Social Paroquial and Parish of Porto Salvo which enabled the collection of more than 300 items;
- "DQAR Social Responsibility", an internal initiative whose object was to collect clothes and food for the GMASA – Grupo de Milharado de Apoio aos Sem-Abrigo, which gathered more than 2,100 items;
- "Solidarity Millennium – Christmas 2016", a campaign directed at the collection of food for the Association C.A.S.A. – Centro de Apoio ao Sem-Abrigo, which collected, with the support and commitment of the Bank Employees in Portugal, more than 1.2 tons of food.

Millennium bcp also backed a number of initiatives to support institutions and initiatives able to add social value, such as:

- Participation for the third consecutive time in the annual edition of the ECO Movement – Companies against Fires, a civil society project that aims to contribute to the prevention of forest fires and raise public awareness on risky behaviour;
- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. Currently, the Bank has a protocol signed with Entreajuda, the main beneficiary Entity. The Bank donated over 3,097 items of IT equipment and furniture to 50 institutions during 2016;

- Participation in the 3rd edition of Marketplace Lisboa, a social market drawing together companies, local authorities and non-profit making institutions, where the participants display their offers and needs, promoting a sharing of knowledge and experiences which give rise to the exchange of goods and services. Millennium bcp, which was present for the second time at this event, established 11 agreements for donation of material with different social solidarity institutions;
- Seeking to improve financial literacy and simultaneously stimulate saving habits, ActivoBank regularly hosts a live streaming event on its Facebook page, named Activo Conversations, which addresses topics so as to contribute to better knowledge and awareness of the issues related to the provision of financial services;
- The Bank made available to charitable institutions and for pre-defined periods of time, a space in its premises for the disclosure of information and the collection of funds. The APAM (Breast Cancer Support Association) and CERCI Oeiras Pirilampo Mágico 2016 (for disabled children) carried out their campaigns at Tagus Park in 2016.

In terms of financial management and financial literacy, Millennium bcp contributed to increase the level of financial literacy and the adoption of adequate financial behaviours, helping Customers with their family budgets:

- The promotion, in its institutional website, of the following instruments – Savings Centre, Finance Managers and the Kit for unexpected expenses which, despite being independent tools, have the same purpose: helping Clients manage their personal budget In the area of the website, M Vídeos, it is also possible to find tutorials and savings suggestions;
- The Bank also participated in the Work Group of Associação Portuguesa de Bancos (Portuguese Banks Association), together with several financial institutions and the Instituto de Formação Bancária whose mission is to develop and support initiatives for the promotion of the financial education of all citizens. An example of the activity developed in 2016, is the promotion of the “European Money Week” (EMW) – , launched by the European Banking Federation (EBF), which counted with the participation of 21 countries, which was promoted in Portugal by APB, and also the Financial Training Day, promoted by the Bank together with the APB, which developed several actions especially addressed to schools;
- We must also mention the launching of a publication by APB on Financial Literacy which, with the participation of Millennium bcp, intends to contribute to the citizens' awareness of this issue.

In Poland, Bank Millennium continues to stimulate a significant series of actions, including:

- The "BAKCYL – Bankers for Financial Education of Youth" project is a joint initiative of the Polish banking sector, designed and organised by the Warsaw Banking Institute. The BAKCYL, counting with the volunteer participation of employees of the banking sector as trainers, is addressed to students of the secondary school. Its goal is to provide practical financial knowledge which may contribute for the informed use of financial products and services by the new generations and it involved, in 2016, 39 volunteers of Bank Millennium who ministered 173 classes;
- Partnership with the United Way Polska Foundation, with a view to continue to support the "Nikifory" programme of combat of isolationism of disabled artists, assisting the development, promotion and publicising of their creative activity. In 2016, the participation of Bank Millennium in this programme was awarded with the Special Award and the Employee Volunteering Award;
- The Bank Millennium Foundation launched a volunteer programme addressed to all Bank Employees – the Millantrop – aimed at supporting local communities. The programme enables two types of volunteer service – the organization of personal initiatives or the participation in projects envisaged by the Foundation;
- Financial ABC, a financial literacy programme of Foundation Bank Millennium, whose object is to give basic financial concepts to pre-school children. In 2016, the Foundation carried out 200 workshops in 70 kindergartens involving more than 5,000 children throughout the country.

With regards to education, we highlight: (i) Millennium Bankers programme, aimed at supporting university students in their approach to the labour market. 34 students participated in 2016; (ii) Millennium Academy Workshops, free training sessions on banking and financial services addressed to high school students. In 2016, it involved 200 students.

In Mozambique, the Bank's social commitment is embodied in the "More Mozambique for Me" programme, one of the references of the BCP Group under Corporate Social Responsibility aimed at tightening relations with local communities, which continues to focus on projects in the area of health, education, culture, children and youth sports, and community development:

- Millennium bim Mini Basketball Tournament – in its 11th edition, involved 1,750 athletes, aged between 6 and 12 years old, from 10 cities;
- A Clean City for Me: Recycle and Win – a programme started in 2007 and already in its 10th edition, intended to raise the awareness of young people and the general public on the importance of their behaviour in the reduction of urban waste. In 2016, Colégio Nhyamunda won the competition;
- Millennium bim Race – 11th Edition of an event that intends to foster the development of this sporting activity, finding new talents and adopting healthy habits. More than 1,000 athletes participated;

- Responsible Millennium bim – in the context of corporate voluntary action, 30 Employees and their families helped to create, together with the Association HELPO, a new library in the Primary School Unidade 25, benefiting its 2,000 students who now dispose of a place to read;
- The 7th edition of Millennium bim Banking Olympics was held, continuing to contribute to a better informed generation in terms of financial concepts and services. The 40 students who competed in the final competition were those who had achieved the best results from among the 400 participants (from 10 schools) that took the written test;
- Partnership with ADPP – Ajuda de Desenvolvimento de Povo para Povo – Cidadela das Crianças (Development Assistance – the City of Children) – whose main objective is to support supporting school education and promote entrepreneurship by improving the professional training activities given by this institution;
- Road Safety Campaign – carried out in a partnership with the Police Department of the Republic of Mozambique (PRM) and with Impar – Seguradora Internacional, comprised, in its 7th edition, lectures given by Police Agents to students and teachers from the primary schools of Maputo;
- Installation of two fountains in Muxungué and Guvuro, in the provinces of Sofala and Inhambane, which will guarantee the access to drinking water to more than 700 families in each one of the regions.

MILLENNIUM BCP FOUNDATION

The Millennium bcp Foundation, under the institutional social responsibility and cultural patronage policies, represents an agent of creation of value in society, in the different areas of its intervention, namely Culture, Education/Research and Social Solidarity.

During 2016, the Foundation provided support to 130 projects in the three areas mentioned above and carried out four exhibits.

In Culture, the area where the Foundation promotes more initiatives and apart from the projects to disclose the works of art owned by Millennium bcp, it promoted 73 initiatives on several aspects of the cultural production, of which 18 within the scope of museums and arts, 9 concerning recovery of cultural heritage, 5 in the area of music, 7 in Portuguese literature, 4 in architecture and 30 in other areas. Amongst the supported projects, we may highlight the following:

- Maintenance of the Archaeological Nucleus of Rua dos Correeiros (ANCR) and management of the guided tours. It received 10,467 visitors.
  It should be noted that in 2016, the ANCR was awarded with the TripAdvisor Certificate of Excellence;
- Millennium Gallery, an exhibition space which received 14,403 visitors in 2016 distributed over the following temporary exhibitions: (i) *"Esconjurações na Coleção Millennium bcp e noutras obras de José de Guimarães"*, which was attended by 5,833 visitors (Shared Art); (ii) *"Palavra de Sardinha"*, which was attended by 4,768 visitors; (iii) *"Artur Alves Cardoso – Alma Mater"*, totalling 2,733 visitors (Shared Art); and (iv) "Unspoken Dialogues", recording a total of 1,069 visitors until the end of 2016;
  Both spaces participated in the "International Day of Monuments and Sites", "International Museum Day", "Museum Night" and "Heritage Days", with NARC and Millennium Gallery opening until later.

Support to projects of modernisation of important national museums and promotion of museum activities and other cultural activities, in particular:

- National Museum of Ancient Art (MNAA) – support to exhibitions and other art initiatives made by the museum, namely the reopening of the painting and sculpture wing;
- National Coach Museum – support to the Exhibit "300 anos Embaixada D. João V";
- Panteão Nacional – Support to the Exhibit "Reis e Heróis – Os Panteões em Portugal";
- General-Directorate of Cultural Heritage – support to the launching of the results of the study on the audiences of national museums, "Estudo de públicos de Museus Nacionais";
- Fundação Arpad Szenes Vieira da Silva: support to the project "Faz Futuro" and "Festa Vieira da Silva".

Regarding the restoration of heritage, architecture and other cultural areas, we highlight:

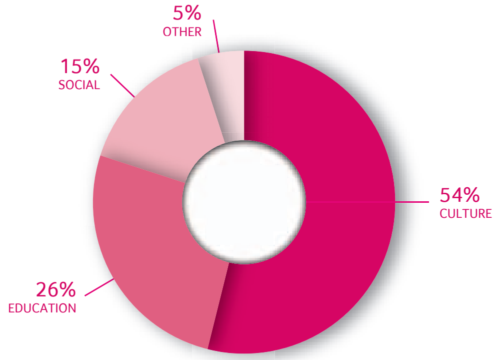
- Basílica da Estrela – sponsorship for the restoration of the monumental images of the alter of the Blessed Sacrament;
- World Monuments Fund Portugal (Association) – Conservation of the arches of the church of the Monastery of Jerónimos;
- National Coach Museum – Recovery/restoration of coaches;
- Palácio Nacional de Mafra – Conservation and restoration of the palace;
- Regional Directorate of Algarve – recovery of Castelo de Paderne (Albufeira) which is at risk.

Science and education are paramount for the construction of a developed society and for the exercise of a responsible and informed citizenship. Therefore, the Foundation increased its participation in several educational, scientific investigation and disclosure of knowledge projects. It provided financial aid to 35 educational projects, 24 in Universities, 7 in Scientific Investigation and 4 in basic Education, of which we may highlight:

- A scholarship programme of Fundação Millennium bcp, aimed at students from Portuguese-speaking African countries and from Timor (PALOP) In 2015/2016, it had 6 scholars;
- A partnership with Millennium bim so as to give scholarships in several areas in Universities of Mozambique to young people that evidenced academic merit and lack economic means. 27 scholarships were granted;
- University of Porto – Centre of Astrophysics – Astrocamp 2016, summer academic programme;
- Universidade Católica Portuguesa: (i) School of Economics and Management – Lisbon MBA scholarships; (ii) Political Studies Institute – sponsoring the chair of European Legal Studies; (iii) Law School – Support to foreign students of the "Master of Laws";
- Start Up Programme (9th edition) of Junior Achievement Portugal – development of entrepreneurship programmes among university students;
- Instituto de Medicina Molecular (IMM): Assistance protocol whose purpose is the study of paediatric tumours and a cooperation programme between Portugal and the African Portuguese speaking countries (PALOP) in this area of investigation;
- Fundação Rui Osório de Castro: attribution of an award to scientific investigation in the area of paediatric oncology. Aiming at the development of innovative projects and initiatives in this area, able to foster and promote better care for children with an oncologic disease, Fundação Rui Osório de Castro created the award Rui Osório de Castro Millennium bcp (the disclosure of the award will be made in February 2017);

DONATIONS ALLOCATED BY INTERVENTION AREA

Percentage



- Associação Empresários pela Inclusão Social (EPIS) – Educational project for social inclusion, programme "Mediators for academic success".

Lastly, in the Social Solidarity area, the Foundation supported different actions promoted by several entities. These actions comprised several intervention subareas, such as childhood/adolescence, poverty, disability, among other. The Foundation supported 22 projects, 5 of which targeted early childhood, 7 for situations of poverty, 4 dealt in health and disability and 6 of several other areas, of which we point out:

- Portuguese Food Bank – in terms of food collection campaigns: (i) support to the production of bags; and (ii) donation for the purchase of tuna;
- Karingana Wa Karingana – campaign in Portugal to collect school material to give out to families in need;
- AESE – Higher Education Management Studies Association – GOS programme, Management of Social Organisations: programme developed in partnership with AESE – Business Management School and ENTREAJUDA. The programme intends to improve the practice of management by heads of non-governmental charitable organizations through training actions addressed to their managing bodies;
- Universidade Católica – Institute of Oriental Studies – Support to the project for making a Portuguese Manual for Syrian Refugees;
- BUS Association – Social Utility Assets – the institution collects, free of charge, useful goods for different purposes given away by people wishing to get rid of them and forwards them to institutions and families in need.

In 2016, the Foundation was distinguished with an honorary award from Bienal AR&PA, an organization that distinguishes the work accomplished in the conservation, rehabilitation and restoration of cultural heritage, as well as projects that stand out in what concerns intervention in cultural assets.

SUPPLIERS

At Millennium bcp, the Supplier selection process follows criteria of overall competence of the company, functionality, quality and flexibility of the specific solutions to be acquired and continued capacity of service provision. In all its operations, the Group continues to favour a procurement process involving Suppliers from the respective country, with payments to local Suppliers corresponding to 91.7%.

The Bank's main Suppliers are companies that publish their economic, environmental and social performance, assuring a responsible purchase of goods and services.

Since 2007, Group BCP, namely in Poland and Portugal, includes, as an attachment to the agreements it establishes with Suppliers, the Principles for Suppliers which include several aspects, such as the compliance with the law, good environmental and labour practices, including human rights and the application of those principles in the engagement of third parties.

Millennium bcp assesses its Suppliers through the application of a performance questionnaire including parameters related with the level of observance with the Principles for Suppliers. In 2016 the Suppliers that subscribed these principles were subject to continuous monitoring.

Within the scope of the monitoring, Millennium bcp's Suppliers are subject to a permanent evaluation process, based on: (i) the relationship they maintain with Technical Competence Centres; (ii) performance assessment actions and the identification of areas for improvement; and (iii) on existing decision-making processes to execute investments and renew contracts.

ENVIRONMENTAL RESPONSIBILITY

Group BCP, in compliance with its digital and technological innovation strategic goals, has been treading a path of operating efficiency, for which the investment in eco-efficiency has been determinant. This investment results in the optimisation of the consumption of resources (mainly energy, water and paper) and in the dematerialization of processes, a strategic objective for the Bank.

Globally, BCP's operating eco-efficiency continued to improve vs. 2015, as a result of a number of increased efficiency initiatives and of environmentally responsible practices which enable it not only to improve the quality of the internal processes and the service provided to the Client but also to reduce operating costs and the environmental impact associated with the Bank's activities.

BCP ensures, on a regular basis, the follow-up of initiatives carried out in all countries where it operates, in view of its local circumstances, and monitors a number of indicators which enable it to measure its environmental efficiency and impact concerning its main resources consumption.

1. Operational Efficiency

- Measures to optimize processes, equipment and infrastructures for the correct management of the resources made available and improve the efficiency and control of the processes, resulting in technological and environmental gains, including in energy efficiency;
- Reduction of local prints within the scope of the Green IT Programme;
- Using digital documents such as, for example, the bank statement in digital format;
- Project Go Paperless from the Client's standpoint: implementation of the electronic signature of the Client and of the Digital Price List; and from an internal procedures standpoint: digital daily maps of account opening and closing processes;
- Definition of a business strategic goal to increase the number of Clients with digital access: >35% of Clients until 2018; and of digital transactions: >50% until 2018;
- Giving preference to digital archive tools in the purchase of software development services.

2. Environmental Awareness

- Internal Environmental Signs Campaign at BCP's premises;
- Informing the heads of the organizational areas of the respective consumption of paper (prints) and of ink and toner cartridges;
- Promote the use of videoconference and e-learning;
- Environmental Guide for Customers and Employees in Poland;
- Participation in Earth Hour, an event promoted by the WWF (Poland);
- Project "Uma Cidade Limpa Para Mim – Recicla e Ganha" (A Clean City For Me), a partnership with AMOR – Associação Moçambicana de Reciclagem: support to the construction of an ecological Christmas Tree with 3,000 plastic bottles in Mozambique;
- Project for the decoration and painting of waste bins, in a partnership established with a Mozambican university.

3. Results 2016

- 100% of the Retail branches have the application PAB Paperless, which enabled the branches to stop printing 98% of the documents, thus substantially decreasing the ecological footprint;
- Clients who subscribed to the e-statement: 1,000,000 Clients in Portugal (43%); 1,390,750 Clients in Poland (60%); 7,187 Clients in Mozambique; and 70% of Clients in Switzerland;
- 12% reduction in the cost of issuing letters to Clients compared to 2015;
- An 8.5 GWh reduction in electricity consumption, which meant 2,814 tons less of CO_2;
- 10% reduction in electricity and fuel costs compared to 2015;
- Less consumption of water, saving over 72 thousand euros in Portugal alone;
- 11.3 million less prints from Paperless Program;
- The waste paper and cardboard are sent for recycling, giving the Bank an additional income of around 160 thousand euros between 2013 and 2016.

ECOLOGICAL FOOTPRINT

As noted above, the BCP Group regularly monitors a series of environmental performance indicators which measure the Bank's eco-efficiency with regard to its main consumption of resources[2].

Globally, the Bank again recorded a year of improvement of the eco-efficiency levels due to the ongoing investment in the optimization of procedures, new equipment and the alteration of the daily behaviour of the Employees concerning the rational use of resources.

The majority of the Bank's energy consumption derives from indirect sources (electric and thermal), which represented 60% of the BCP Group's power needs in 2016. The Bank's consumption of indirect energy dropped 11%, especially due to the 14% decrease in energy consumption in Portugal and to the lack of 2016 data availability from Mozambique. The direct energy recorded a decrease of approximately 2%.

Concerning domestic activity, BCP increased its energy consumption by 1% and did not reach its annual goal (-3%), where the consumption of natural gas increased 19%, while the electricity from the public network recorded a 14% decrease versus 2015, as mentioned above. Thus, the goal to reduce the consumption of electricity by 3% was achieved. This reduction of around 6 GWh enabled avoiding about 1,855 tonnes of CO_2 emissions and saving about 910 thousand euros.

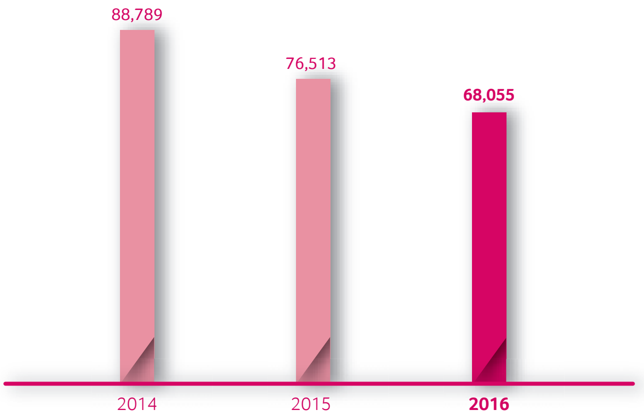
BCP assumes the commitment to adjust itself to climate changes, providing its contribution for the reduction of the greenhouse gas emissions. The Group's carbon footprint is assessed every year. The Bank also took part in the CDP (Carbon Disclosure Project), and improved its classification to Leadership A- in 2016.

Globally, 2016 recorded a slight decrease of approximately 0.9% in greenhouse gas emissions associated with the Group's banking activity, result of the ongoing implementation of a number of energy efficient measures. These measures are identified in the Sustainability Report.

In overall terms, the emissions associated to fuel consumption (scope 1) recorded a decrease of 5.1% compared to the previous year. Concerning emissions from electricity/heat consumption (scope 2), there was a slight increase of 0.6%, mainly due to the increase in electricity consumption in Poland. However, in the emissions associated with mobility in service (scope 3), there was a decrease of around 4% of the emissions, mainly due to the reduction of 2% in air travel and 40% in bus travel.

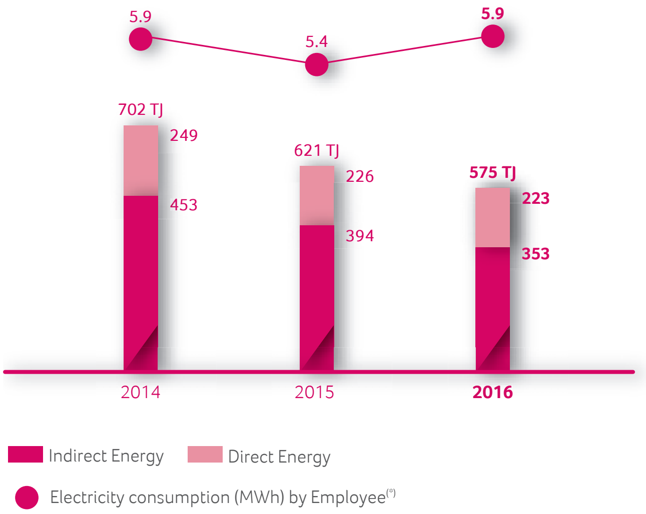
ELECTRICITY CONSUMPTION(*)

MWh



(*) Does not include the cogeneration plant and data centre in Portugal neither 2016 energy consumption in Mozambique.

TOTAL ENERGY CONSUMPTION



(*) Includes the cogeneration plan in Portugal, excludes the data centre in Portugal and 2016 data from Mozambique..

(2) The environmental performance of all the Bank's operations was monitored in 2016, namely in Portugal, Mozambique, Switzerland and Poland, and the consumptions of previous years were presented within the same geographical scope in order to ensure an effective comparability of the results, with the exception of Mozambique whose consumption of energy (direct and indirect), water and emissions related to 2016 are not yet available.

Concerning domestic activity (Portugal), as a whole BCP recorded a slight 2.4% reduction in its greenhouse gas emissions versus 2015, although it did not reach the pre-defined goal (a 5% reduction in CO_2 emissions).

Direct emissions rose 12.4% year-on-year, due to the increase of around 19% in the consumption of natural gas. The indirect emissions associated with the consumption of electricity decreased significantly (14%) while the indirect emissions associated with mobility (scope 3) due to less travels and the increasing use of webcasting (videoconferences) recorded a slight fall – 1%.

In overall terms in 2016, the total consumption of water in Group BCP fell approximately 33%, in part due to the Non-availability of Mozambique's consumption data.

In Portugal, total water consumption was 166,467 m^3, 5.5% down year on year, which enabled the Bank to surpass the annual goal (- 4% of water consumption). Of total water consumption, 88% corresponds to water from the public network and 12% to rainwater reuse.

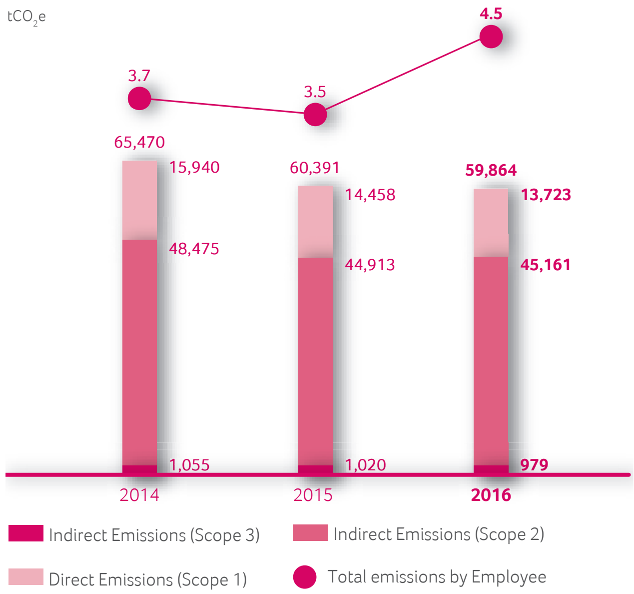
In overall terms, BCP maintained a downward trend of around 7% in the consumption of its main materials (paper and cardboard, plastic, ink cartridges and toners), due to the optimisation measures.

The most consumed materials in terms of weight and quantity continue to be paper and cardboard, which, in overall terms, fell by 7% in relation to 2015, as a result of the dematerialisation initiatives implemented in all the geographic areas. Ink and toner cartridges also showed a 12% reduction due to measures adopted to decrease printed documents and promote scanning and digital printing. However, plastic consumption increased 17%, due to the performance in Poland and Mozambique.

In Portugal, paper and cardboard consumption decreased 10%, once again exceeding the established annual goal (-8%). We must point out that the A4 and A3 paper brand used by the Bank has an Eco-label certificate of the European Union which certifies that the paper manufacturing process is environmentally sound.

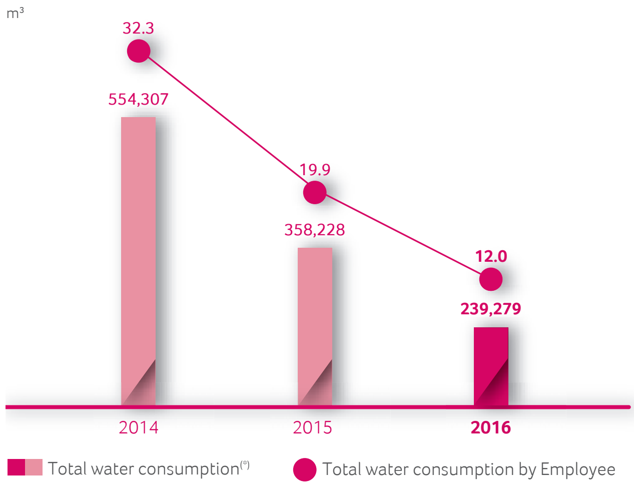
Further details on the information reported in this chapter – (Responsible Business) –, in particular calculation criteria, the table of Global Reporting Initiative (GRI) indicators and correspondence with the Global Compact Principles, are available for viewing on the Bank's institutional website, at www.millenniumbcp.pt, under Sustainability.

GHG EMISSIONSI(*)



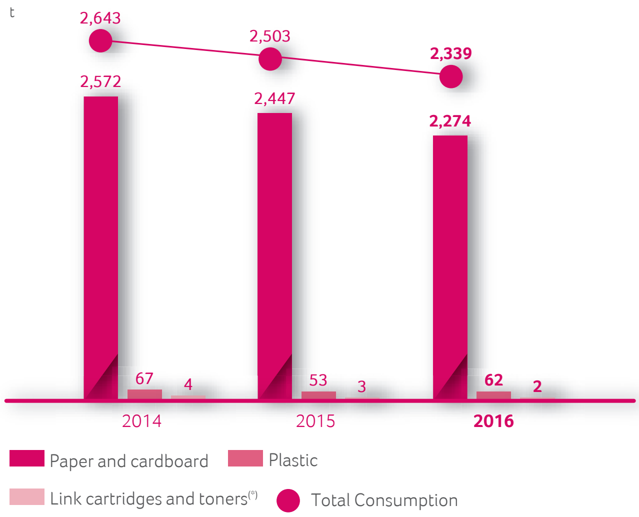
(*) Does not include Mozambique (2016).

WATER CONSUMPTION



(*) Does not include Switzerland (2014-2016), neither Mozambique (2016).

MATERIALS CONSUMPTION



(*) Does not include Mozambique (2016).

BCP SHARES

A The political environment was extremely important for capital markets in 2016, with events such as the Brexit, the presidential elections in the USA and the referendum to the Italian constitution, significantly influencing the markets behaviour. Notwithstanding, investors reacted positively to the acceleration of the industrial and tertiary activities during the last six months of 2016, the recovery in prices of commodities (including oil) and the actions taken by Central Banks, notably the freezing of interest rates by the Fed (whose first upgrade occurred only in December) and the extension by the ECB of the term for the purchase of assets.

The positive macroeconomic data were the basis for the significant gains recorded by world markets, particularly the US stock exchanges, where the Dow Jones index increased 13.4%, S&P 500 was up 9.5% and Nasdaq 100 recorded 5.9% in gains. In sectorial terms, we must point out the natural resources and the energy sector driven by the recovery in the prices of commodities.

In Europe, the Footsie 100 shot up over 14% and the Euro Stoxx 600 Banks reference index went down 6.8%, translating the weak prospects of economic growth, the prolonged persistence of interest rates at historical minimums and the concern with the high amount of non-performing loans (EBA definition) recorded by Banks in southern Europe. Investors adopted different positions, punishing the banks where they identified the need for a capital increase and benefiting those they deemed to be better capitalised, with 10 of the current 25 banks of the index surpassing the respective Benchmark.

BCP SHARES INDICATORS

	Units	2016	2015
ADJUSTED PRICES			
Maximum price	(€)	**0.6459**	1.2388
Average price	(€)	**0.3312**	0.8997
Minimum price	(€)	**0.1791**	0.5374
Closing price	(€)	**0.1845**	0.6317
SHARES AND EQUITY			
Number of ordinary shares	(M)	**945**	59,039
Shareholder's equity attributable to the Group	(M€)	**4,382**	4,623
Shareholder's equity attributable to ordinary shares(1)	(M€)	**4,322**	4,563
VALUE PER SHARE			
Adjusted net income (EPS)(2)(3)	(€)	**0.019**	0.232
Book value(4)	(€)	**4.586**	0.077
MARKET INDICATORS			
Closing price to book value	(PBV)	**0.20**	0.63
Market capitalisation (closing price)(5)	(M€)	**843**	2,887
LIQUIDITY			
Turnover	(M€)	**2,213**	4,670
Average daily turnover	(M€)	**8.6**	18.2
Volume(6)	(M)	**6,272**	5,250
Average daily volume(6)	(M)	**24.4**	20.5
Capital rotation(7)	(%)	**144%**	119.2%

(1) Shareholder's equity attributable to the Group – Preferred shares.
(2) Considering the average number of shares outstanding.
(3) Ajusted by the reverse stock split operation, by the private placement of Fosun (ocurred in 2016) and by the share capital increase completed in February 2017.
(4) Considering the average number of shares minus the number of treasury shares in portfolio.
(5) Does not include 157,437,395 shares issued as a result of the Fosun private placement (175 million euros), admitted to listing on 9 February 2017.
(6) Ajusted by the reverse stock split operation and by the share capital increase completed in February 2017.
(7) Total number of shares traded divided by the year average number of shares issued.

The BCP share went down 71% in 2016, comparing to a 7% fall of the European Index Stoxx 600 Banks.

In the first three months of 2016, BCP shares underperformed the European Banks Index, but were aligned with the correction trend of the share prices of southern European banks due to the deterioration of the economic growth prospects, the persistence of interest rates at historically low levels and the concern with the significant level of NPEs. During this period the BCP share was also affected by specific factors such as the impact on Portugal's image of the capitalisation of Novo Banco and the resolution of BANIF, the uncertainty concerning the final solution for the conversion of credits into CHF in Poland and the proposal for the suppression of the preference right voted at the Annual General Meeting of Shareholders.

In the second quarter of 2016, BCP shares also underperformed compared to the European Banks Index, reflecting the exit from the MSCI index, the investor's concerns with the Bank's capitalisation levels due to the adoption of a bad bank solution in Portugal, the possible consequences of the sale of Novo Banco and also some possible contagion effect related with the capital increases in CGD and Banco Popular. Moreover, there was also the uncertainty related with the Brexit, which translated into a downward review of the macroeconomic prospects and into the increase of volatility in the shares of peripheral Europe.

In the third quarter, BCP shares recorded a negative performance versus the European Banks index, due to the disclosure of the results of the first six months (recording approximately 300 million euros of extraordinary impairments), despite the positive results of the stress tests disclosed on that date. The development of the negotiations with Fosun for the purchase of a qualified holding in BCP, the publication of the Notice of the Ministry of Finance clarifying the future responsibilities concerning the Resolution Fund and the approval of legislation creating the conditions for the execution of the reverse stock split proved to be insufficient to compensate the exit from the DJ Stoxx 600 Index.

During the fourth quarter, BCP shares benefited from several exogenous factors such as the confirmation of the rating of the Portuguese Republic by DBRS, the purchase by Fosun of a 16.7% stake in BCP's share capital and the alteration of the limit for the exercise of voting rights from 20% to 30%. Notwithstanding, in December 2016, the concern with BCP's capital position and its high level of NPEs, generated some expectation concerning a possible share capital increase.

LIQUIDITY

During 2016 a volume of approximately 2,213 million euros in BCP shares were traded, corresponding to an average daily turnover of 8.6 million euros. During this period, approximately 6,272 million shares were traded (volumes adjusted due to the reverse stock split and the share capital increase), corresponding to an average daily volume of 24.4 million shares. The capital turnover index stood at 144% of the average annual number of shares issued.

INDEXES IN WHICH BCP SHARES ARE LISTED

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

Indexes	Weight
Euronext 150	0.29%
Euronext SEBI	2.09%
Iberian Index	0.18%
PSI 20	3.40%
PSI Geral	1.24%
PSI Serviços Financeiros	25.01%

Source: Euronext, 31 December 2016.

In addition, at the end of 2016, Millennium bcp was also included in the following Sustainability Indexes: Ethibel Excellence Europe, Ethibel EXCELLENCE Investment Register and Respect Index.

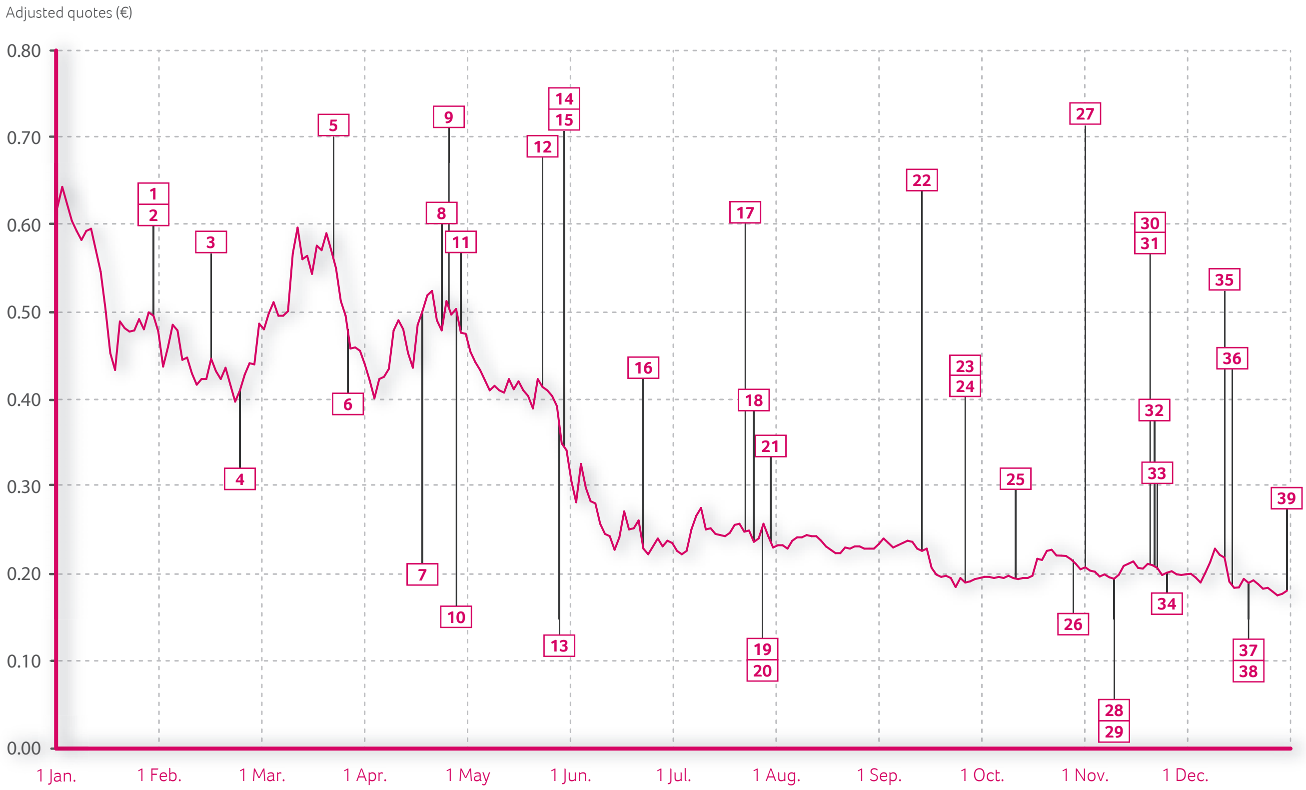
Sustainability Indices

MATERIAL INFORMATION AND IMPACT ON THE SHARE PRICE

The following table summarises the material information directly related to Banco Comercial Português that occurred during 2016, as well as net changes of the share price both the next day and five days later, and its relative evolution compared to the leading reference indices during the periods in question.

Nr	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. DJS Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs DJS Banks (5D)
1	1 Feb.	Bank Millennium Poland results in 2015	-3.6%	-1.6%	0.4%	-3.4%	2.8%	6.9%
2	1 Feb.	2015 Consolidated Earnings	-3.6%	-1.6%	0.4%	-3.4%	2.8%	6.9%
3	16 Feb.	Tender offer invitation for the purchase of notes	5.5%	2.4%	2.1%	-1.5%	-2.4%	-1.6%
4	24 Feb.	Results of the tender offer invitation for the purchase of notes	3.2%	1.7%	-0.3%	22.3%	16.7%	9.9%
5	23 Mar.	Evaluation of strategic scenarios for ActivoBank	-3.6%	-2.5%	-1.4%	-13.1%	-12.5%	-10.8%
6	28 Mar.	Call notice for Annual General Meeting	-3.3%	-4.8%	-3.8%	-14.0%	-10.6%	-8.3%
7	21 Apr.	Resolutions of the Annual General Meeting	3.6%	3.3%	3.3%	2.3%	1.9%	1.5%
8	25 Apr.	Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-6.4%	-5.6%	-8.9%	-3.9%	-4.3%	-2.3%
9	27 Apr.	Norges Bank informs about qualified shareholding	7.0%	5.9%	6.7%	-0.8%	0.0%	7.8%
10	29 Apr.	Bank Millennium Poland results 1Q2016	1.3%	0.6%	2.0%	-10.9%	-9.6%	-4.3%
11	2 May	Consolidated Earnings in 1Q2016	-5.4%	-3.7%	-1.7%	-13.8%	-11.0%	-7.4%
12	27 May	Report and Accounts for the 1st quarter of 2016	-1.6%	-1.9%	-1.7%	-25.0%	-21.3%	-19.7%
13	31 May	Index MCSI revision	-10.8%	-8.6%	-9.1%	-16.7%	-14.6%	-13.9%
14	3 Jun.	Conclusion of the evaluation of strategic scenarios for ActivoBank	-7.9%	-8.1%	-7.9%	-8.3%	-6.8%	-3.5%
15	3 Jun.	Blackrock informs about changes in the qualified shareholding	-7.9%	-8.1%	-7.9%	-8.3%	-6.8%	-3.5%
16	23 Jun.	Norges Bank informs about changes in the qualified shareholding	-12.2%	-5.2%	2.3%	-11.2%	-6.2%	5.6%
17	26 Jul.	Banco Comercial Português, S.A. informs about Bank Millennium Poland results 1H2016	-5.1%	-5.8%	-6.1%	-7.7%	-7.4%	-3.0%
18	27 Jul.	Banco Comercial Português, S.A. informs about the alteration of the date for disclosing 1st half earnings for 2016	1.6%	2.2%	4.3%	-1.6%	-0.3%	2.3%
19	29 Jul.	Banco Comercial Português, S.A. informs about Stress Tests results	-5.4%	-5.4%	-3.7%	-10.9%	-9.5%	-10.9%
20	29 Jul.	Banco Comercial Português, S.A. informs about Consolidated Earnings of 1st Half 2016	-5.4%	-5.4%	-3.7%	-10.9%	-9.5%	-10.9%
21	30 Jul.	Banco Comercial Português, S.A. announces that it has received an investment proposal from Fosun Industrial Holdings Limited	-5.4%	-5.4%	-3.7%	-10.9%	-9.5%	-10.9%
22	14 Sep.	Banco Comercial Português, S.A. informs about analysis of the investment proposal received from Fosun Industrial Holdings Limited	1.1%	1.1%	0.5%	-12.4%	-12.3%	-12.9%
23	28 Sep.	Banco Comercial Português, S.A. informs about exclusive negotiation with Fosun Industrial Holdings Limited	1.3%	0.4%	0.9%	2.0%	1.7%	-1.2%
24	28 Sep.	Banco Comercial Português, S.A. informs about regrouping of shares	1.3%	0.4%	0.9%	2.0%	1.7%	-1.2%
25	12 Oct.	Banco Comercial Português, S.A. informs about reverse stock split	0.7%	0.6%	2.7%	11.1%	7.4%	7.8%
26	28 Oct.	Banco Comercial Português informs about Bank Millennium Poland results in 9M2016	-3.0%	-2.4%	-1.9%	-6.8%	-2.6%	-1.9%
27	2 Nov.	Banco Comercial Português, S.A. informs about the change of the date for disclosing 9M2016 earnings	-0.6%	-0.4%	-1.6%	-4.5%	-3.3%	-10.0%
28	9 Nov.	Banco Comercial Português, S.A. informs about earnings release as at 30 September 2016	2.3%	4.1%	0.1%	6.3%	8.5%	3.5%
29	9 Nov.	Banco Comercial Português, S.A. informs about resolutions of the General Meeting of Shareholders	2.3%	4.1%	0.1%	6.3%	8.5%	3.5%
30	20 Nov.	BCP informs on the suspension of the General Meeting of Shareholders	-0.7%	-1.1%	-0.7%	-3.9%	-4.9%	-4.0%
31	20 Nov.	BCP announces the subscription of a reserved capital increase by Fosun and signing of a memorandum of understanding	-0.7%	-1.1%	-0.7%	-3.9%	-4.9%	-4.0%
32	21 Nov.	Banco Comercial Português, S.A. informs about the result of the General Meeting of Shareholders	-1.5%	-1.6%	-2.5%	-4.8%	-4.6%	-3.2%
33	22 Nov.	Banco Comercial Português, S.A. informs about qualified shareholding of Chiado, a Fosun affiliate	-3.8%	-3.5%	-3.6%	-3.8%	-3.2%	-1.9%
34	25 Nov.	Banco Comercial Português, S.A. informs about qualified shareholdings	-1.7%	-0.9%	0.1%	-3.5%	-2.0%	-3.5%
35	12 Dec.	Banco Comercial Português, S.A. informs about qualified shareholdings	-12.4%	-12.6%	-13.6%	-13.0%	-12.6%	-13.4%
36	13 Dec.	Banco Comercial Português, S.A. informs about conclusion of private placement of a qualified shareholding by Banco de Sabadell, S.A.	-3.6%	-2.5%	-2.4%	0.8%	0.6%	0.5%
37	19 Dec.	Banco Comercial Português, S.A. informs about the result of the General Meeting of Shareholders	1.5%	0.7%	0.5%	-7.4%	-8.1%	-7.1%
38	19 Dec.	Banco Comercial Português, S.A. informs about appointment of the member of the Board of Directors	1.5%	0.7%	0.5%	-7.4%	-8.1%	-7.1%
39	30 Dec.	Banco Comercial Português, S.A. informs about transmission of the shareholding previously held by EDP Imobiliária e Participações, S.A. to the Pension Fund of the EDP Group	1.7%	0.5%	1.1%	-1.5%	-2.0%	-5.3%

The following graph illustrates the performance of BCP shares over the reference period:



DIVIDEND POLICY

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State under Law number 63-A/2008 and Implementing Order number 150-A/2012, the Bank could not distribute dividends until the issue is fully reimbursed. This restriction was in effect during the financial years 2013 to 2016.

With the share capital increase concluded in February 2017, the Bank intends to meet the conditions to accelerate the return to normality, including the potential distribution of dividends, so as to be able to, from 2018 onwards, have a dividend pay-out policy not inferior to 40% of eventual distributable earnings, subject to regulatory requirements.

MONITORING BY INVESTORS

The Bank participated in various events during 2016, having attended ten conferences and four roadshows in Europe and the USA, where it gave institutional presentations and held one-to-one meetings with investors. More than 260 meetings were held with analysts and institutional investors, which continues to demonstrate the significant interest in relation to the Bank.

TREASURY STOCK

Treasury shares held by entities included in the consolidation perimeter are held within the limits established by the bank's by-laws and by the Companies Code (Código das Sociedades Comerciais).

As at 31 December 2016, Banco Comercial Português, S.A. held no treasury stock in portfolio, and there were no purchases or sales of own shares throughout the year. However, the item "Treasury Stock" recorded 2,689,098 shares (31 December 2015: 24,280,365 shares) held by Customers. Considering that for these Customers there is evidence of impairment, the Bank's shares held by these Customers were, in observance of this standard, considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the note to the financial statements number 59, as at 31 December 2016, the Millenniumbcp Ageas Group held 8,694,500 BCP shares (31 December 2015: 652,087,518 shares) amounting to 9,312,000 euros (31 December 2016: 31,822,000 euros).

SHAREHOLDER STRUCTURE

According to the information provided by Interbolsa, on 31 December 2016, the number of Shareholders of Banco Comercial Português totalled 184,596 (181,371 Shareholders after the share capital increase concluded in February 2017). By the end of 2016, the Bank's shareholder structure continues to be extremely scattered, with three Shareholders with qualified holdings (over 2% of the share capital) and only two Shareholders with a stake above 5%. After the share capital increase the Bank's qualified stakes were held by four Shareholders (two with stakes above 5% of the Bank's share capital) and totalled 43.4%.

Shareholder structure	Number of Shareholders	% of share capital
INDIVIDUAL SHAREHOLDERS		
Group Employees	3,146	0.41%
Other	176,546	38.99%
COMPANIES		
Institutional	332	20.83%
Other and Qualified Shareholders	4,572	39.77%
TOTAL	184,596	100.00%

Shareholders with more than 5 million shares represented 42.8% of the share capital (71.7% after the share capital increase). During 2016, there was a slight increase in the percentage of capital held by foreign investors, a percentage which recorded a substantial growth as a result of the Bank's share capital increase.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	13	42.80%
500,000 to 4,999,999	101	15.43%
50,000 to 499,999	896	10.47%
5,000 to 49,999	14,772	19.23%
< 5,000	168,814	12.08%
TOTAL	184,596	100%

With regards to geographic distribution, it is worth noting the weight of Shareholders in Portugal, who represented 53.2% of the total number of shares, as at 31 December 2016. However, after the increase of the share capital, the relative weight of Shareholders in Portugal decreased to 37.3%.

	Number of shares (%)
Portugal	53.2%
Africa	15.1%
UK/USA	4.5%
Other	27.1%
TOTAL	100%

QUALIFIED HOLDINGS

As at 31 December 2016, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

(31 December 2016)

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	157,437,395	16.67%	16.67%
TOTAL OF FOSUN GROUP	157,437,395	16.67%	16.67%
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP, directly	140,454,871	14.87%	14.87%
TOTAL OF SONANGOL GROUP	140,454,871	14.87%	14.87%
EDP Pensions Fund(*)	19,939,423	2.11%	2.11%
Voting rights held by the members of the management and supervisory bodies(**)	406,344	0.04%	0.04%
TOTAL OF EDP GROUP	20,345,767	2.15%	2.15%
TOTAL OF QUALIFIED SHAREHOLDERS	318,238,033	33.7%	33.7%

(*) IAllocation in accordance with subparagraph f) of paragraph 1 Art. 20 of the Portuguese Securities Code.
(**) In accordance with data as at 30 June 2016, adjusted by the reverse stock split operation that took place on 24 October 2016.

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

After the share capital increase, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

(After capital increase, last available information)

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	3,615,709,715	23.92%	23.92%
TOTAL OF FOSUN GROUP	3,615,709,715	23.92%	23.92%
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP, directly	2,303,640,891	15.24%	15.24%
TOTAL OF SONANGOL GROUP	2,303,640,891	15.24%	15.24%
EDP Pensions Fund (*)	318,918,339	2.11%	2.11%
TOTAL OF EDP GROUP	318,918,339	2.11%	2.11%
Norges Bank, directly	315,290,240	2.09%	2.09%
TOTAL OF NORGES GROUP	315,290,240	2.09%	2.09%
TOTAL OF QUALIFIED SHAREHOLDERS	6,238,268,945	43.4%	43.4%

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

ECONOMIC ENVIRONMENT

WORLD'S ECONOMIC ENVIRONMENT

According to the projections of the International Monetary Fund (IMF), in 2016, the World's economy slowed down for the second consecutive year, this time due to the lesser dynamism of developed countries, since emerging markets maintained the pace of expansion.

In the USA, the rate of change of GDP was 1.6%, which corresponds to the weakest growth of the last seven years. This performance was due to the contraction of the non--residential investment and to the deceleration of the residential component, amid greater political uncertainty. In the euro area, most Member-States continued to grow at levels below potential in spite of the favourable performance of consumption, which has been supported by the improvement of employment and the low level of interest rates and of energy prices. Among the main developed economies, the United Kingdom stood out for maintaining robust growth levels (1.8%), notwithstanding the uncertainty related to the British decision to leave the European Union (EU). As for the emerging economies, it is worth mentioning the positive evolution in China, in contrast with the lingering recessive state of the economies of Brazil and Russia.

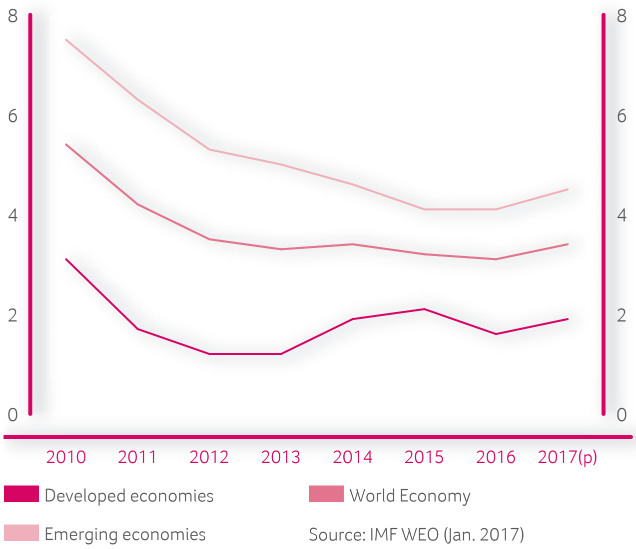
In 2017, the convergence of the global economy to growth standards closer to the historical average is subject to an important set of risks, namely of geopolitical nature, stemming from the process surrounding the United Kingdom's exit from the European Union and the general elections that will take place in several euro area Member-States, to which accrues the possibility of a correction movement within financial markets, after the substantial appreciation of several asset classes throughout 2016.

GLOBAL FINANCIAL MARKETS

The behaviour of financial markets during 2016 was surprisingly tranquil in face of not only the evolution of international politics, in particular with respect to Brexit and the election of Donald Trump to the American presidency, but also the significant increase of American long-term interest rates in the second half of the year. Generically, the performance of the US risk asset classes beat that of the remaining geographies, with the equity indexes quoted in New York appreciating more than their European and Japanese counterparts, and the US dollar gaining value against the majority of the developed currencies, but not of the emerging ones. It should be also highlighted the widespread recovery of commodity prices, especially within the energy complex, after two years of strong correction.

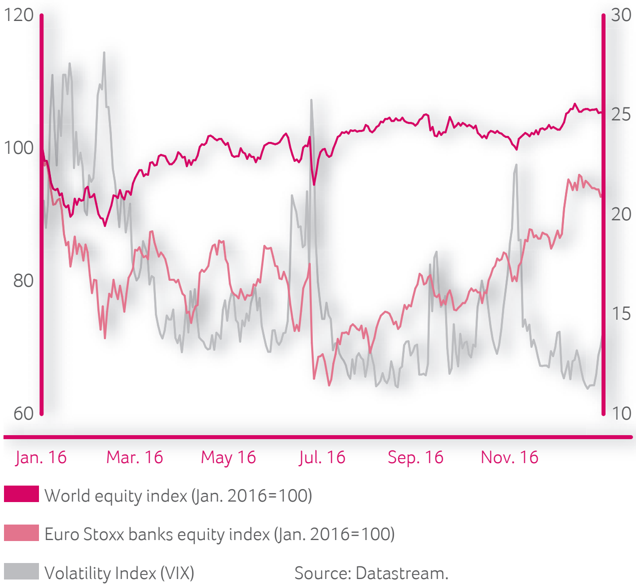
Despite the inflation come back resulting from the recovery of the oil price, the elevated level of indebtedness and the moderate progression of the economy determined the maintenance of an ample degree of monetary accommodation at the global scale. With the exception of the US Federal Reserve, which again raised marginally its key interest rate in December 2016, the majority of the main central banks maintained or intensified the expansionary stance of their policy. The ECB put its deposit facility rate at even more negative values (-0.40%) and enlarged the spectrum of its purchase operations to debt securities issued by corporations, in addition to extending the life of the programme to at least the end of 2017. In the wake of these measures, the Euribor interest rates closed the year below zero in every maturity.

GLOBAL ECONOMIC GROWTH SLOWED IN 2016
Annual growth rate of real GDP (in %)



Source: IMF WEO (Jan. 2017)

THE WORLD EQUITY INDEX VALUATED AND THE VOLATILITY REMAINED AT RELATIVE LOW LEVES



Source: Datastream.

OUTLOOK FOR THE PORTUGUESE ECONOMY

According to Statistics Portugal, Portuguese GDP grew 1.4% in 2016, below the 1.6% gain recorded in 2015. The lower robustness of economic activity stemmed essentially from the contraction of investment and, to a smaller extent, the slowdown of private consumption. The net external demand had a negative contribution, albeit less marked than in the previous year, benefiting from the exceptional dynamism of tourism, as well as the resiliency of exports of goods to the EU.

In 2017, the recovery trend should remain supported by domestic demand, which should be boosted by the strength of private consumption and also the improvement in investment, in a context of greater confidence brought about by the consolidation of Portugal's recovery. However, the risk of an international slowdown associated with the rise of geopolitical uncertainty as well as the possibility of a correction in financial markets constitute potential obstacles to the steadiness of the expansion of the domestic economy.

In what concerns public finances, the continuation of the economic activity's recovery together with the implementation of one-off measures resulted in the reduction of the fiscal deficit from 4.4% to levels clearly below 3.0%, which should allow Portugal to exit the Excessive Deficit Procedure.

The evolution of the domestic banking system in 2016 was marked by the continuation of the sale of Novo Banco, whose conclusion is scheduled for the first quarter of 2017, by the capitalization process of Caixa Geral de Depósitos and by the launch of a takeover bid for bank BPI by its major shareholder, Caixabank. The performance of the banking system continued to be affected by the implementation and/or revision of regulation and by the practice of supervision, which has become increasingly demanding and onerous.

Despite the compelling evidence of recovery throughout 2016 of the banking core items (e.g. interest margin, albeit within a framework of interest rates at minimum levels, or operational costs, with improvements in efficiency levels), the profitability of the banking sector was hindered relative to the previous year by the strong fall in the gains on financial operations and by rise in loan provisioning. The non-performing loans are signalling stabilization, though at still elevated levels, with improving cover ratios in 2016 resulting from the on-going provisioning effort. The sustainability of the profitability improvement process remains a major challenge.

PORTUGUESE ECONOMY CONTINUES TO RECOVER

Source: Datastream and Millennium bcp.

INTERNATIONAL OPERATIONS

In 2016, the economy of Poland maintained a robust growth pace due to the increase of private consumption, which was boosted by the expansionary stance of fiscal policy and by wage improvement. Throughout the year, the central bank maintained interest rates unchanged at 1.50%, given the persistence of deflationary risks. On the currency front, the zloty followed an overall depreciating trend. In 2017, the economic activity should continue to be supported by the dynamism of consumption and the recovery of both public and private investment, which will benefit from EU funds and low financing costs. However, should the uncertainty surrounding economic and fiscal policy intensify, namely regarding the regulatory framework, the expansion of investment might be put in jeopardy, with the ensuing negative effects over aggregate demand.

Mozambique faced a set of important challenges in 2016. Low commodity prices, in particular of aluminium and coal, provoked a fall in export revenues and in investment, both foreign and domestic, thereby undermining the public finances and the external accounts, which translated into a strong depreciation of the metical, an increase of inflation and the consequent need for more restrictive policies in the monetary and fiscal domains. Additionally, the disclosure of an overall public debt higher than the amount known by the international institutions and the ensuing suspension of external assistance had a very adverse impact on the economic and financial condition and on investors' confidence. In 2017, the conclusion of the negotiations aimed at forging a financial assistance program with the IMF and its subsequent rigorous implementation will prove crucial to the recovery of the economic and financial stability.

According to the IMF, the Angolan economy likely stagnated in 2016, undermined by the permanence of oil prices at low levels. In 2017, the recovery capacity should remain dependent on the evolution of the oil price, in a context where the process of economic diversification is still running its course.

GROSS DOMESTIC PRODUCT
Annual growth rate (in %)

	2014	2015	**2016**	2017	2018
EUROPEAN UNION	1.6	2.3	**1.9**	1.7	1.8
Portugal	0.9	1.6	**1.4**	1.3	1.1
Poland	3.3	3.7	**3.1**	3.4	3.3
SUB-SAHARAN AFRICA	5.1	3.4	**1.6**	2.8	3.7
Angola	4.8	3.0	**0.0**	1.5	2.4
Mozambique	7.4	6.6	**4.5**	5.5	6.7

Source: IMF and national statistics institutes
IMF estimate (Jan. 2017)

MAIN RISKS AND UNCERTAINTIES

Risk	Sources of risk	Risk level	Trend	Interactions
ENVIRONMENT				
REGULATORY	• More demanding regulatory framework in terms of capital and liquidity requirements • Regulatory uncertainty associated to the implementation of MREL • Single Supervisory Mechanism of the ECB • Single Resolution Mechanism • Regular practice of conducting Stress Tests by the ECB • Risk of process of conversion of mortgage loans in CHF and increase of the weight of RWA for loans in CHF • Changes to the accounting standards, namely in IFRS 9	High	⟷	• Total CET1 requirements in 2017: 8.15%. • Disclosure of the LCR and NFSR, and Leverage ratios that will have to exceed the regulatory minimums • Volatility in capital markets • Negative impact on the Income Statement of Bank Millennium • IFRS9 implementation could result in a greater Income Statement volatility and in a greater loan granting procyclicity, however the impact on capital due to IFRS9 implementation will be reduced for BCP
SOVEREIGN	• Moderate upturn of the activity at an international and national level, against a background of low inflation and interest rates • High indebtedness of the public sector and of the private sector • Interruption of the fall of public debt as a percentage of GDP, as a result of the recapitalisation of CGD and sale of NovoBanco • Maintenance of the correction of the unbalances of the current and capital balance • Regular access to international funding markets after Brexit • Increase of the economic protectionism at an international level • Exposure to Portuguese sovereign debt • Exposure to emerging countries	Medium	⟷	• Economic upturn in Portugal may be limited by the sluggishness of the main trading partners • Potentially negative impact on profitability resulting from low interest rates in nominal terms • Higher default levels by companies and families, higher refinancing costs and difficulties in accessing market financing • Impact of an eventual increase in yields of sovereign debt on CET1
FUNDING AND LIQUIDITY				
ACCESS TO WSF MARKETS AND FUNDING STRUCTURE	• TLTRO represents a floor for reducing ECB's funding • Irregular functioning of WSF/MMI markets • Progressive replacement of the funding obtained from the ECB by funding obtained in the IMM/WSF • Need to fulfil eventual gaps versus MREL requirements • Continuation of the deleverage process by the internal economic agents	Medium	↘	• Difficulties in continuing to reduce funding obtained from the ECB • Increased weight of balance sheet customer deposits and funds in the funding structure • Limited scope for decreasing cost of funding • The credit portfolio may continue to contract and the commercial gap may continue to reduce • The return to profitability in Portugal will not be made via volumes

(continues)

(continuation)

Risk	Sources of risk	Risk level	Trend	Interactions
CAPITAL				
CREDIT RISK	• Evolution of asset quality • Regularity of Stress Tests conducted by the ECB • Exposure to real estate assets directly or through participation in real estate investment and restructuring funds • Eventual solution for NPL	High	⟷	• Moderate upturn in Portugal • Evolution of disposable income/evolution of unemployment rate/company delinquency level • High leveraging of companies • Exposure to problematic sectors • Need to reduce exposure to real estate risk • Uncertainty on the impacts resulting from the creation of a bad bank
MARKET RISK	• Volatility in capital markets • Adverse behaviour in the real estate market	Medium	⟷	• Uncertainty in markets • Monetary policies of the different Central Banks • Profitability of the pension fund • Reduction of earnings from trading
OPERATING RISK	• Inherent to the Group's activity	Medium	⟷	• Simplification of processes • Deterioration of controls • Increased risk of fraud • Business continuity
CONCENTRATION AND INTEREST RATE RISK	• Historically low interest rates • High concentration of assets in sectorial, category of assets and geographical terms	Medium	⟷	• Low interest rates contribute to lower default but exert pressure on profitability • Need to reduce the weight of the main Customers in the total credit portfolio
REPUTATION, LEGAL AND COMPLIANCE RISK	• Inherent to the Group's activity • Reputation risk compounded by recent BES and Banif resolutions, following problems in BPN and BPP	Medium	⟷	• The negative opinion of the public or sector could adversely affect the capacity to attract Customers (in particular depositors) • Possible Customer complaints • Possible penalties or other unfavourable procedures arising from inspections • Instability of the regulatory environment applicable to financial activity • AML rules and against the financing of terrorism
PROFITABILITY	• Low interest rates in nominal terms • More limited space to adjust spreads on term deposits in new production • Regulatory pressures on fees • Increase of the hedging of problematic assets by impairment • Exposure to emerging market economies, including countries specifically affected by the fall in the commodities price	Medium	⟷	• Negative impacts on net interest income: price effect, volume effect and overdue credit effect • Need to continue to control operating costs • Pressure to increase of the hedging of problematic assets by provisions • Reformulation of the business model and digital transformation

INFORMATION ON TRENDS

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

The 2017 projections for the Portuguese economy disclosed by Banco de Portugal were upgraded in March from 1.4% to 1.8%, mainly based on more investment. The GDP projections for 2018 and 2019 are 1.7% and 1.6%, respectively. It is expected that, between 2017-19, the contribution provided by investment and net exports will increase its importance in GDP's growth. According the data disclosed by INE (Portuguese Statistics Institute), in March 2017, the public deficit stood at 2.1% of the GDP in 2016, the lowest ever since joining the euro area and the first time it went below 3%, helping Portugal on the path to be released from the Excessive Deficits Procedure.

On 21 October 2016, DBRS maintained the credit rating attributed to the Portuguese Republic. The eligibility of the Portuguese Public debt for the ECB's extended programme for the purchase of assets depends on this credit rating. The other three rating agencies that rate the Portuguese Republic confirmed their ratings and the Outlook as stable in the beginning of 2017.

In accordance with Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to 22.4 billion euros in December 2016, figures which are consistent with the general trend existing since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals (+1.0% by the end of December 2016, if compared with the same period of last year, with demand deposits up 17.6% and term deposits 0.9%, all year on year).

Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 1.5% and 2.0%, respectively, in December 2016, if compared with the same period in 2015. One must be aware that the loan to deposit ratio of the banking sector in Portugal was of 101% by the end of 2016 versus 128% by the end of 2012 and 158% by the end of 2010.

The credit granted by BCP continues to decrease within a context of deleveraging of the non-financial economic sectors resulting in a lower search for credit. At the same time, deposits also continued to decrease since the Bank allowed some institutional deposits, requiring a larger remuneration to go, complying with a policy for the preservation of the financial margin. As the commercial gap closes, BCP has also been reducing its use of funding from the ECB. In the next few months, one expects that the trends mentioned above will continue be visible, being highly likely that the credit/deposit ratio will continue to fall, together with the maintenance of funding from the ECB at around 4,000 million euros.

The maintenance of very low money market interest rates is contributing to decrease the spread on term deposits of the Portuguese banks, a trend that persisted in 2016, more than offsetting the lower spreads in credit.

The rates of the new term deposits reached, by December 2016, values near 32 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

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

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

Group BCP has a relevant exposure to Poland which is at risk for legislative amendments. There are still some risks connected with the economic context experienced by some African countries, with potential impact on the Group namely Angola and Mozambique, whose economic activity is decelerating and faced a significant depreciation of their currency in 2016.

The continuous improvement in core income as well as the continuation of the restructuring and reduction of costs should play a positive role and contribute to the improvement of the 2017 results although conditioned by the economic conjuncture.

There is great focus on the management of the stock of problematic assets and respective hedging levels and measures should be adopted to reduce these assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new Non-Performing Loans (NPLs) so as to foster a more proactive management of NPLs, including measures to remove the blocking factors in legal, judicial and tax systems. The NPLs issue is particularly important within a European context, conditioning the profitability of European banks, namely Portuguese. In Portugal, one is waiting for the proposal to create a bad bank. As the accession is voluntary, Banco Comercial Português will evaluate if it is interested in joining when the proposal is made public. The Bank has an ongoing plan for reducing Non-Performing Exposures (NPE) to around 7,500 million euros at the end of 2017, which compares to 12,800 million euros by the end of 2013.

It is not yet possible to determine what will be the final impact of the resolution of BES on BCP as an institution participating in the resolution fund created by Decree Law nr.31-A/2012, of 10 February (the "Resolution Fund"). In 2016, the contributions made by the Bank to the Resolution Fund consisted of 20% of the total contributions paid by the banking industry. The Resolution Fund which, in turn, holds the entire share capital of Novo Banco, valued on 31 December 2015 at 4.9 billion euros (consisting of 3.9 billion euros financed by a State loan, plus 700 million euros obtained by loans granted by several banks and the remainder were funds that were already in the Resolution Fund).

In March 2017, the conditions for loans granted by the State to the Resolution Fund were altered. The maturity of the loans was revised to December 2046, so that the annual payment owed by the Banks is met by the income from the regular contribution charged to the banking sector, keeping the banks' contributions unaltered at the current level.

The revision of the loans enables the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions.

The revision of the conditions of the State loan to the Resolution Fund, though it does not alter the banking sector's liabilities towards the Resolution Fund, represents yet another measure to ensure financial stability, after a deep recession, and to favour the reinforcement of the capitalisation of Portuguese banks, as well as the competitiveness of the Portuguese economy.

The European Commission agreed with the revision of the terms and conditions of the agreements and removes the uncertainty surrounding the future annual liabilities of banks, regardless of the contingencies that come to fall on the Resolution Fund.

On 31 March 2017, Banco de Portugal made a communication on the sale of Novo Banco, where it states the following:

"Banco de Portugal selected today the company LONE STAR to conclude the sale of Novo Banco. The sale agreement documentation was already signed by the Resolution Fund.

In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling 1,000 million euros, 750 million euros of which at the moment the operation is completed and 250 million euros during the following 3 years.

Via this capital injection, the company Lone Star will become the owner of 75% owf the share capital of Novo Banco and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, according to which the Resolution Fund, as Shareholder, commits to carry out capital injections if certain cumulative conditions materialize. These are related with: (i) the performance of a defined group of assets of Novo Banco and (ii) the performance shown by the bank's capitalization levels.

The eventual capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, to line up the incentives and supervision, despite the limitations resulting from the application of State aid rules.

The completion of the sale depends on receiving the usual regulatory authorisations (including from the European Central Bank and from the European Commission) and also on the execution of a liabilities management exercise, subject to the bondholders joining in, which will encompass the unsubordinated bonds of Novo Banco and generate at least 500 million euros in own funds eligible for CET1, by offering new bonds."

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

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

This new regime (MREL), which became effective during 2016, involves a transition period and should have implications on the issue of debt by bank institutions, implying the introduction of alterations in the liability structure through the issue of new senior debt with some subordination structure or strengthening the Tier 2.

VISION, MISSION AND STRATEGY

VISION AND MISSION

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

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

STRATEGY

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

The three stages of the Strategic Plan are the following:

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

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

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

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

- **Phase 3 (2016 to 2017): Sustained growth**

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

The main actions required to ensure a successful completion of the Strategic Plan are:

- Improving the balance sheet: The Bank intends to improve its capital ratios by cutting down RWA's through deleveraging, disposal or liquidation of non-core operations. The internal generation of share capital in the final stages of the Strategic Plan should also contribute to accrue capital. In addition, the disposal or liquidation of non-core operations and the incorporation of off balance sheet customer funds into balance sheet customer funds should improve the Bank's liquidity position by cutting down the commercial gap and the dependence from wholesale market funds. This improvement of the Commercial Gap and the increase in funding from public and private debt markets led to a decrease in the use of ECB funding. For the duration of the Strategic Plan, the Bank's management aims to continue to cut back on the ECB exposure by using a combination of initial deleveraging while keeping up the increase in deposits and the controlled expansion of credit;
- Better profitability of domestic operations: The Bank is carrying out the optimisation of its product mix and will continue to adjust the price of credit to better translate each Customer's risk profile, which should have a positive impact on the net interest income and on the cost of risk of the Portuguese operation. The Bank forecasts a better net interest income based on the continuous reduction in spreads since the beginning of 2013 until the period ended on 31 December 2016;
- Consolidation of the Bank's leadership position in the private sector Retail market and the SME/companies banking market: The Bank adopted a new business model based on a new Customer base segmentation, the review made to the products and services that it offers and on the adjustments to its back office units and branch network. This business model is being put into place with a view to expanding the Bank's geographical coverage, increasing the number of Customers and sales capacity, and simultaneously decreasing operating costs. For Retail Customers, the strategy is to rebalance the portfolio mix of less profitable mortgages with more profitable loans. In terms of SME/companies, the focus will be on exporting companies. The Bank's objective is to ensure that profits are sustainable in the medium to long-term, searching to become the best in class in terms of operational efficiency, on account of both income generation and cost management, simultaneously keeping a high control of credit risk and, this way, preserving its strategic position in the Portuguese banking market for Retail and SMEs;
- International position: The Bank's international franchise is focused on the growing markets of Poland and

Mozambique. In Poland, the Bank intends to continue to pursue its Customer acquisition, based on the existing great and modern branch network, on its comprehensive range of products and services and on the strength of the Bank's brand. Additionally, the Bank intends to continue to leverage its main franchise in the country by developing the branch network and offering new and innovative products and services to its Customers;

- Risk Management: The Bank intends set up a new monitoring system to manage performing loans with a higher probability of default, in addition to past due loans. The creation of legacy portfolio, coupled with the strengthening of the Bank's loan recovery capabilities is expected to reduce the overall delinquency level while maintaining focus on new credit underwriting with a risk profile in line with the Bank's strategic plan;
- Plan to reduce NPEs (non-performing exposures): Several measures were put into place in the last few years with a positive impact on NPEs, namely the reinforcement of credit quality control, using and developing new valuation models, improving the governance model for risk management, covering NPEs by making provisions, the expected loss gap and the increase in collaterals to 100%, as of 31 December 2016, according to BCP's goal of getting NPEs down to under 7,500 million euros (8,542 million euros recorded on 31 December 2016) by December 2017. The main measures of this plan include: reduction of net new entries, focus on restructuring loans and on quarantine, preventing mortgage cases from reaching courts and reducing the recovery period for cases handled by external law offices, stepping up write-offs resolved in courts; loan sales, especially strongly-collateralised corporates and, for individuals loans with low likely wood of recovery.

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

The project consists of six work fronts devoted to sales and three work fronts devoted to the organisation as a whole. Over 100 Employees in total are involved in the execution of the initiatives identified in the Strategic Agenda.

In relation to BCP's business model, six work fronts were adopted:

1. Redefining the Retail distribution network, exploiting the potential of new technologies, namely in the digital area (Internet Banking and Mobile Banking, among others);
2. Relaunching the affluent individuals segment, by adjusting the service model and taking up a position of leadership;
3. Consolidating the position of leadership in providing support to micro and small enterprises;
4. Adjust the business model of the growth-oriented corporate segment, in order to be the reference Bank in providing support to the Portuguese economy;
5. Transform the credit recovery business through an integrated strategy of reduction of the non-core business portfolio, which may include the sale of assets and the optimisation of the recovery operating model;
6. Build on the operating model of the Bank, by simplifying and automating processes, with a view to optimising the levels of service provided to the Customer.

In order to transform the Bank into a healthier organisation and with greater involvement with the Shareholders, there are three organisation-wide work fronts underway:

1. Definition of the level of risk to be adopted in each business area with the implementation of the Risk Appetite Framework;
2. Promotion of a business sharing culture between business areas and geographies;
3. Launch of a cultural transformation programme of the organisation with a focus on the development of human resources, the improvement of its satisfaction and the consolidation of a set of values that guide the action of the Bank.

During Phase 3, the management has been focused mainly on the renewal of the branch network, on innovation and on communication. The new initiatives undertaken within the scope of the 2016-2018 Strategic Agenda can already be seen. Over 35% of Mass-Market branches and 55% of Prestige branches had been redone by 31 December 2016. 34 branches have a new layout, providing the perfect digital experience for Customers. In addition, the digital platforms have been improved and added new tools, including online loan requests, opening accounts online and a new Smartphone app for company Clients, helping them manage projects funded by EU grants.

On 12 January 2017, the Bank confirmed its financial and operational business goals for 2018 pursuant to the recent share capital increase, as follows:

- CET1 (phased in) and CET1 (fully-implemented) of around 11%;
- Loans to deposits ratio at less than 100%;
- Cost-to-Core Income ratio under 50%;
- Cost-to-Income ratio under 43%;
- Cost of risk under 75 b.p.;
- ROE at around 10% (amount revised due to an initial goal above 11%, which did not take into account the effect of the private placement, registered on 18 November 2016, and of the share capital increase reserved to Shareholders exercising their preference right).

The figures provided above are goals not forecasts. There is no guarantee that such goals can or will be achieved, as such they cannot be construed as forecasts or earnings' estimates.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FINANCIAL INFORMATION

PORTUGUESE FOOD BANK

For years, Millennium bcp has worked in close partnership with the Portuguese Food Bank through direct sponsorship buying food, as well as support in the production of bags used in the regular collection of donated food at the national level.
In addition, hundreds of Bank Employees regularly volunteer at the Bank's food collection weekends - reflecting the commitment of the Bank and its people to actively making a difference in the lives of many. Here we make a difference.

LIQUIDITY AND FUNDING

During 2016 the consolidated wholesale funding of the Bank increased by 0.5 billion euros, mainly due to the reinforcement of both the portfolios of Portuguese public and private debt, already foreseen in the Liquidity Plan for 2016, mitigated by the decrease of the commercial gap and the share capital increase operation.

Together with the refinancing of medium/long-term debt amounting to 1.0 billion euros (of which 0.8 billion euros of senior debt and 121 million euros of subordinated debt, including the early redemption of 50 million euros of CoCos), the increase of the funding needs compared to 31 December 2015 involved the increase of the repos in Portugal (to a balance of 2.3 billion euros) and the 0.6 billion euros decrease of the gross borrowings with the Eurosystem (to a balance of 4.9 billion euros). In net terms, the funding with the ECB decreased at a faster pace, through the reduction of 0.9 billion euros from the end of 2015 to a balance of 4.4 billion euros, continuing the progressive decreasing trend seen since 2011.

It is worth highlighting that the diversification of the funding instruments, set out in 2016 Liquidity Plan, was carried on with the realisation in significant number and amounts of the first repos collateralized by covered bonds and securitised assets, in addition to the use of Portuguese sovereign debt.

In June 2016, the Bank carried out the early full redemption of the EUR 1.5 billion tranche of the first series of the targeted longer-term refinancing operation ("TLTRO", in December 2014), changing the temporal profile of its debt with the ECB by simultaneously borrowing a EUR 3.5 billion tranche at the new programme "TLTRO II", announced by the ECB on March 2016. This amount was reinforced in September with an additional tranche of 0.5 billion euros, to a total of 4.0 billion euros. The remaining funding needs were assured through the weekly and 3-month main refinancing operations.

The reduction of the net funding with the ECB, from 0.9 billion euros to 4.4 billion euros, together with the performance of the eligible assets available for discount at the Eurosystem, enabled the liquidity buffer to exceed 9.0 billion euros for the first time, an increase of 0.5 billion euros compared to December 2015 (8.6 billion euros). This amount comprises on a pro forma basis the collateral currently allocated in excess to the covered bond program which, under the form of an issue to be retained at the portfolio of ECB eligible assets, would allow its increase by an amount of at least 1.5 billion euros after haircuts, assuming the use of the valuation criteria of the ECB concerning the other retained issues.

CAPITAL

On 26 June 2013, the European Parliament and Council approved Directive 2013/36/EU and Regulation (EU) no. 575/2013 (Capital Requirements Directive IV/Capital Requirements Regulation - CRD IV/CRR), 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.

These stricter requirements result from a narrower definition of the instruments and elements that constitute own funds and from changes in weights related to certain assets, together with the establishment of minimum ratios, including a capital conservation buffer, of 7% for Common Equity Tier 1 (CET1), 8.5% for Tier 1 and 10.5% for Total Capital.

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

As at 31 December 2016 and 2015, the consolidated capital requirements were calculated using the following methodologies:

CREDIT RISK AND COUNTERPARTY CREDIT RISK	
PORTUGAL	
Retail	IRB Advanced
Corporates	IRB Advanced [1]
POLAND	
Retail	
- Loans secured by residential real estate	IRB Advanced
- Renewable positions	IRB Advanced
OTHER EXPOSURES	Standardised
MARKET RISKS[2]	
Generic market risk in debt and equity instruments	Internal Models
Foreign exchange risk	Internal Models
Commodities risk and market risk in debt and equity instruments	Standardised
OPERATIONAL RISK[3]	Standard

[1] Excluding exposures derived from the simplified rating system, which are weighted by the Standardised approach.
[2] For exposures in the perimeter managed centrally from Portugal; for all the 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.

The CET1 phased-in ratio estimated with reference to 31 December 2016, calculated according to our interpretation of CRD IV/CRR, stood at 12.4%, comparing with 13.3% achieved as at 31 December 2015.

The performance of the CET1 ratio phased-in in 2016 mainly reflects the following impacts:

- The regulatory adjustments related to the phase-in progression as at 1 January 2016, that determined a decrease of 283 million euros in CET1 and 90 million euros in risk weighted assets (-63 basis points in the CET1 ratio phased-in);
- Accomplishment of the merger between Banco Millennium Angola and Banco Privado Atlântico in May 2016. This operation, including the impact of the kwanza devaluation recorded between the beginning of 2016 and its accounting recognition, determined a decrease of 237 million euros in CET1 and 2,728 million euros in risk weighted assets (+31 basis points in the CET1 ratio phased-in);
- Mozambique's Central Government and Central Bank risk weight worsening reflected an increase of approximately 700 million euros in risk weighted assets (-21 basis points in the CET1 ratio phased-in);
- The actuarial losses of the Pension Fund recognized in reserves, after taxes, led to reductions of 269 million euros in CET1 and 95 million euros in risk weighted assets (-59 basis points in the CET1 ratio phased-in);
- The entry into force, in the third quarter of 2016, of transitional arrangements to the fair value reserves arising from the portfolios of public debt available for sale, determined CET1 and risk weighted assets decreases of 117 million euros and 37 million euros, respectively (-26 basis points in the CET1 ratio phased-in);
- The investment of Fosun in the Bank's share capital increase, through a private placement amounting to 174 million euros, net of transaction expenses, along with the reimbursement of 50 million euros of CoCos, benefited CET1 in 124 million euros and determined a 45 million euros increase in risk weighted assets (+27 basis points in the CET1 ratio phased-in).

The unfavorable evolution of other reserves, namely influenced by the metical exchange differences, the minority interests in the Mozambican subsidiary and the remaining impacts arising from the Group's activity, despite the positive net income, caused a decrease of 119 million euros in CET1, whose impact on capital ratios was more than offset, however, by the reduction of 1,950 million euros of the risk weighted assets related to the current business. This reduction reflects namely the decreases of the portfolios of loans to customers and available for sale securities, the effect of the metical devaluation and the decrease of market risk weighted assets, despite the increase of the amount required to cover the operational risk (+22 basis points in the CET1 ratio phased-in).

(Million euros)

CAPITAL RATIOS (CRD IV/CRR)

	31 Dec. 16	31 Dec. 15
PHASED-IN (*)		
OWN FUNDS		
Common equity tier 1 (CET1)	**4,874**	5,775
Tier 1	**4,874**	5,775
TOTAL CAPITAL	**5,257**	6,207
RISK WEIGHTED ASSETS	**39,160**	43,315
CAPITAL RATIOS		
CET1	**12.4%**	13.3%
Tier 1	**12.4%**	13.3%
Total	**13.4%**	14.3%
FULLY-IMPLEMENTED (*)		
CET1	**9.7%**	10.2%

(*) Includes the cumulative net income recorded in each period.

On 9 January 2017, the Board of Directors of BCP approved a 1,332 million euros share capital increase, through a Public Offering of shares to all Shareholders in the exercise of their pre-emptive subscription rights. The financial settlement of the ordinary shares subscribed occurred on 7 February 2016 and, on the same date, the Bank reimbursed the remaining amount of CoCos outstanding (700 million euros). The pro forma CET1 ratio of 31 December 2016, considering the impacts related to the phase-in progression as at 1 January 2017, the proceeds of the rights offering, net of expenses, and the full reimbursement of CoCos, stood at 12.8% phased-in and 11.1% fully-implemented.

RESULTS AND BALANCE SHEET

The consolidated Financial Statements were prepared under the terms of Regulation (EC) 1606/2002, of 19 July (as successively amended), and in accordance with the reporting model determined by Banco de Portugal (Banco de Portugal Notice 5/2005, as successively amended), following the transposition into Portuguese law of Directive 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force.

The consolidated financial statements are not directly comparable between 2016, 2015 and 2014, as a result of the sale of the entire shareholding held in the share capital of Millennium bank in Romania, whose agreement was communicated on 30 July 2014 and was concluded on 8 January 2015. With this operation, Millennium bcp eliminated its exposure to the Romanian market, before expected, with a positive impact on profitability and capital indicators, translating its focus on meeting the objectives defined in the Group's Strategic Plan, creating conditions for growth and profitability.

Within the scope of the sale of the total shareholding in the share capital of the Millennium bank in Romania, and pursuant to IFRS 5, this operation was recorded under discontinued operations, with the impact of the operations having being presented on a separate line in the income statement of 31 December 2014 and 2015, under "income from discontinued operations".

In the consolidated balance sheet and following the process of divestment in this subsidiary company, the assets and liabilities of Banca Millennium in Romania, considering that the conclusion of the process took place during the preparation of the financial statements of 2014, were no longer recorded after 31 December 2014 because the conditions for it were met, since on 31 December 2014 control of the company had already been assigned and the risks had been transferred.

In view of the commitment signed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, namely the implementation of a new approach in the fund management business, as well as the completion of the sale in May 2015, the activity of Millennium bcp Gestão de Activos has also been presented under "income from discontinued operations", as at 31 December 2014 and 2015.

In addition, Banco Comercial Português, S.A. agreed to a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. pursuant to which that entity was considered to be discontinued as of 31 March 2016. As at 31 December 2015, this subsidiary company's total assets and liabilities were recorded on the consolidated balance sheet under the respective items, while the costs and earnings on 31 December 2016 and 2015 were entered in a single line named “income from discontinued operations”. After the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were removed from the consolidated balance sheet, and the shareholding in Banco Millennium Atlântico was recorded as associated company.

Nevertheless, in order to offer a clearer understanding of the evolution of the Group's net worth, only for the effect of this analysis, some balance sheet indicators are also presented on a comparable basis, i.e., excluding the discontinued operations.

The figures associated to discontinued operations are shown separately, for the relevant periods, according to the information provided in the consolidated financial statements approved by the Shareholders and published by the Bank. Discontinued operations encompassed within the period of time under analysis in this document include the subsidiary companies of Romania (sold in January 2015) and Millennium bcp Gestão de Activos (sold in May 2015), which are reflected under discontinued operations for the years 2014 and 2015, and Banco Millennium in Angola, which was considered a discontinued operation in the first quarter of 2016 in the wake of the merger with Banco Privado Atlântico, recorded under the same item in 2016 and 2015, since the information as at 31 December 2015 was re-presented for the consolidated financial statements of Millennium bcp. We underline that the operations that were discontinued had the following impact: (i) in what regards the subsidiary company in Romania: in 2014 in terms of income statement items; (ii) in what regards Millennium bcp Gestão de Activos: in 2014 in terms of balance sheet items and in 2014 and 2015 in terms of income statement items; and (iii) in what regards Banco Millennium in Angola: in 2015 in terms of balance sheet items and in 2015 and 2016 in terms of income statement items.

The activity undertaken by Millennium BCP in 2016 led to a 31.2% increase in core income (corresponding to the sum of net interest income and net fees after operating costs) totalling 1,094 million euros, comparing to the 834 million euros estimated in 2015, influenced by the impact of non-usual items. Excluding these effects, core income would have been 8.2% up to 908 million euros on 31 December 2016, which compares to 839 million euros recorded on that date in 2015, corresponding to a 3.3% improvement of the net interest income and a 4.5% reduction of operating costs.

Net income in 2016 totalled 24 million euros vs. 235 million euros in 2015; yet, excluding the effect of non-usual items, net earnings would have reached 98 million euros in 2016, which compare to the 22 million euros in losses in 2015.

Total assets reached 71,265 million euro as at 31 December 2016, compared to 74,885 million euros as at 31 December 2015 (2,344 million euros related to Banco Millennium Angola), influenced by the decrease in loans to customers and in the securities portfolio, especially Portuguese public debt.

Gross loans to customers’ portfolio amounted to 51,758 million euros as at 31 December 2016, compared to 54,443 million euros as at 31 December 2015, without the effect of discontinued operations (996 million euros associated to Banco Millennium Angola). This reflects the 5.4% reduction recorded in the activity in Portugal, namely in mortgage loans to individuals and loans to companies, penalised by the smaller non-core business portfolio and by the modest recovery of the Portuguese economy, in spite of the continued efforts of the commercial areas, in line with the strategy to support families and companies, with emphasis on the contribution to the economy and on project sustainability. The performance of international operations went side by side with that of Portugal, with a 3.5% decrease, hindered by the depreciation of the zloty and of the metical against the euro in 2016.

Total customer funds, excluding the impact of Banco Millennium Angola in 31 December 2015, which was classified as discontinued operation (1,692 million euros), recorded a 1.7% decrease, totalling 63,377 million euros on 31 December 2016, vs. 64,485 million euros estimated as at 31 December 2015. Despite the increase in off balance sheet funds, based on the rise in capitalisation products and assets under management, when compared to 31 December 2015, the performance of customer funds is penalized by the decrease recorded in customer deposits and in retail bonds, feeling the unfavourable impact of the exchange rate effects on international activity.

PROFITABILITY ANALYSIS

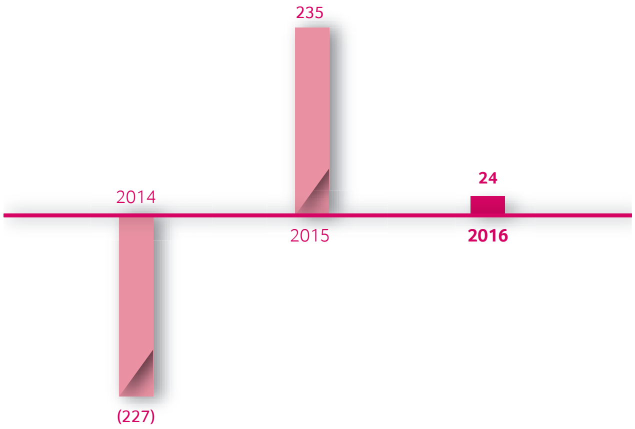
NET INCOME

Millennium bcp's core income increased 31.2%, totalling 1,094 million euros at the end of 2016, vs. 834 million euros recorded in 2015, conditioned by the impact of non-usual items, and led to a 13 p.p. increase in the cost to core income (defined as operating costs divided by the core income) between 31 December 2015 and 31 December 2016, standing at 41.6% on this date. Excluding the effects of non-usual items related to the impact of the review of the Collective Agreement of Millennium bcp, net of restructuring costs, amounting to -5.8 million euros in 2015 and 186 million euros in 2016, core income would have been 8.2% up, from 839 million euros 2015 to 908 million euros recorded in 2016, corresponding to 3.3% improvement of the net interest income and a 4.5% reduction of operating costs.

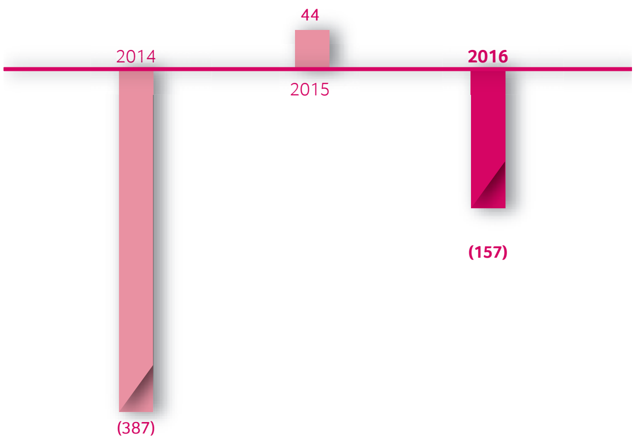
Net income in 2016 totalled 24 million euros vs. 235 million euros in 2015, reflecting the impact of non-usual items. Excluding this effect, net income would have been 98 million euros in 2016, which compares to the losses of 22 million euros recorded in 2015.

Non-usual items, after taxes, include, in 2016, 350 million euros in additional loan impairment charges to reinforce the coverage level[3], as well as the gains with the sale of 279 million euros of Portuguese public debt in 2015, vs. 8 million euros in 2016, the devaluation of corporate restructuring funds by 140 million euros above 2015's figures, and 51 million euros in goodwill impairment, partly offset by the gains from the purchase of VisaEurope by Visa Inc., recorded by the Bank in Portugal and by Bank Millennium in Poland, totalling 49 million euros, and by the tax effect of 281 million euros. In addition, the Bank recorded an impact, after taxes, of the review of the Collective Agreement of Millennium bcp (net of restructuring costs) amounting to 147 million euros in December 2016, vs. restructuring costs that amounted to 4 million euros in 2015.

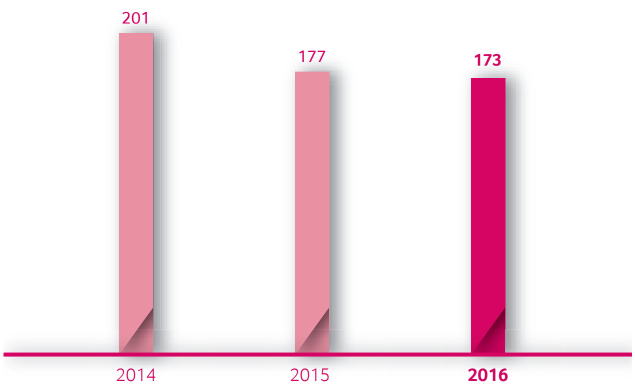
NET INCOME
Million euros



NET INCOME
Activity in Portugal
Million euros



NET INCOME
International activity
Million euros



[3] 2016's figures include additional impairment for a consolidated cost of risk of 120 basis points to improve the coverage of non-performing exposures (NPEs).

(Million euros)

QUARTERLY INCOME ANALYSIS

	2016					2015 (re-presented)	2014 (comparable)[1]
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total		
NET INTEREST INCOME	292	308	306	323	1,230	1,191	1,028
Other net income							
Dividends from equity instruments	2	4	1	1	8	10	3
Net commissions	164	156	161	163	644	660	649
Net trading income	28	154	30	28	240	539	416
Other net operating income	(12)	(76)	(8)	(10)	(106)	(120)	14
Equity accounted earnings	14	24	23	20	81	24	36
TOTAL OTHER NET INCOME	196	263	206	202	867	1,113	1,119
Net operating revenues	488	571	512	525	2,097	2,304	2,147
Operating costs							
Staff costs	138	135	137	(54)	357	574	603
Other administrative costs	92	93	90	99	374	389	416
Depreciation	13	13	12	13	50	54	57
TOTAL OPERATING COSTS	243	241	238	58	780	1,017	1,076
Operating results	245	330	274	467	1,317	1,286	1,070
Impairment							
For loans (net of recoveries)	161	458	252	247	1,117	818	1,097
Other impairment and provisions	15	183	45	238	481	160	209
INCOME BEFORE INCOME TAX	69	(310)	(22)	(18)	(281)	308	(236)
Income tax							
Current	25	32	20	37	113	91	93
Deferred	(10)	(125)	(10)	(351)	(495)	(54)	(202)
NET (LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	54	(217)	(32)	296	101	271	(127)
Income from discontinued operations	29	16	0	0	45	90	10
NET INCOME AFTER INCOME TAX	83	(201)	(32)	296	146	361	(117)
Non-controlling interests	36	43	22	21	122	126	110
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	47	(244)	(54)	275	24	235	(227)

(1) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016, and for comparable purposes some balance sheet and income statement indicators are presented simulating the BMA activity as a discontinued operation.

The operation in Portugal in 2016 totalled net losses amounting to 157 million euros vs. earnings of 44 million euros in 2015, reflecting the impact of non-usual items. Excluding this effect, net income would have increased by 158 million euros, from -213 million euros in 2015 to -55 million euros in 2016, supported by the good performance of net operating revenues and by the positive performance of operating costs and provisions.

Net income from international operations totalled 173 million euros as at 31 December 2016, compared to the 177 million euros recorded in 2015. This decrease translated the exchange rate effect of the depreciation of the zloty and of the metical against the euro and the higher amount of mandatory contributions in Poland, which more than offset the gains from the purchase of Visa Europe by Visa Inc., also in the polish subsidiary. Excluding exchange rate effects, net income increased 21.5% year-on-year.

Bank Millennium in Poland showed a net income of 160 million euros in 2016, more than the 131 million euros recorded in 2015, mainly due to the favourable performance of banking income. This performance was mainly due to the profits from the sale of shares of Visa Europe and to the increase in net interest income, associated with the improvement of funding costs and to the rise in volumes, which more than offset the introduction of the new banking tax, about which one must mention that this tax contribution was higher than the extraordinary costs recorded in 2015 (namely the contribution to the bankruptcy of the SK Bank).

Millennium bim, in Mozambique, recorded net income of 71 million euros compared to 84 million euros in 2015. Excluding the effect of metical depreciation, net income would have increased by 34% from previous year, due to banking income performance, supported by net interest income, which has benefited from the increase in customer business and in reference interest rates, despite the increases in operating costs and loan impairment charges, as well as income tax benefit termination.

Banco Millennium Angola was incorporated by merger into Banco Privado Atlântico in May 2016, which now operates under the name Banco Millennium Atlântico. Banco Millennium Angola's contribution in the first four months of 2016 totalled 37 million euros and was consolidated (50.1% stake) under the full method. In addition, the net income of Banco Millennium Atlântico for the period of May to December 2016 was accounted using the equity method (22.5% stake), resulting in a contribution of 21 million euros[4] from the operations in Angola in 2016.

(4) Appropriation of profits of Banco Millennium Angola, until the merger date, amounting to 18.4 million euros and of the profits of Banco Millennium Atântico, after the merger date, amounting to 3.0 million euros.

Millennium Banque Privée in Switzerland reported net earnings of 6 million euros in 2016, in line with 2015's figures, being noteworthy in 2016 the decrease in operating costs.

Millennium bcp Bank & Trust in the Cayman Islands posted an increase in net income to 7 million euros in 2016, vs. the 5 million euros registered in 2015, due to the favourable performance of loan impairment and staff costs, which more than offset the unfavourable performance of banking income, especially net interest income, which was conditioned by the fall in interest rates and turnover.

(Million euros)

NET INCOME OF FOREIGN ACTIVITY

	2016	2015	2014	Chan. %16/15
Bank Millennium in Poland[(1)]	**160**	131	155	22.6%
Millennium bim in Mozambique[(1)]	**71**	84	88	-15.4%
Banco Millennium Angola[(1)(2)]	**37**	76	51	-51.4%
Banco Millennium Atlântico[(3)]	**13**	–	–	
Millennium Banque Privée in Switzerland	**6**	6	7	-3.4%
Millennium bcp Bank & Trust in the Cayman Islands	**7**	5	8	51.6%
Non-controlling interests	**(122)**	(125)	(109)	2.4%
SUBTOTAL	**173**	177	201	-2.1%
Millennium bank na Romania[(4)]	**–**	–	(12)	

(1) The amounts showed are not deducted from non-controlling interests.
(2) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016. Amounts presented in this line correspond to the portion of BMA net income consolidated under the full consolidation method, before the merger.
(3) The amounts expressed in this line are related to the proportion in the results of Banco Millennium Alântico appropriated by the Group after merger date, using the equity method.
(4) The net income of this operation is classified as net income from discontinued operations.
Note: In 2016, the Bank's net profit (after income taxes and non-controlling interests) attributable to international operations was EUR 173 million, compared to net losses (after income taxes and non-controlling interests). For the same period, net income in Poland was EUR 160 million (EUR 80 million of which was attributable to the Bank), net income in Angola was EUR 50 million (EUR 36.8 million associated with net income of BMA, of which EUR 18 million was attributable to the Bank, and EUR 13 million associated with the share of profit of Banco Millennium Atlântico, consolidated by the equity method) and net income in Mozambique was EUR 71 million (of which EUR 48 million was attributable to the Bank). Net income from the activities in Switzerland and the Cayman Islands were fully attributable to the Bank.

NET INTEREST INCOME

Net interest income amounted to 1,230 million euros in 2016, showing an increase of 3.3% when compared to the 1,191 million euros posted in 2015, essentially supported by the positive performance of the activity in Portugal and abroad.

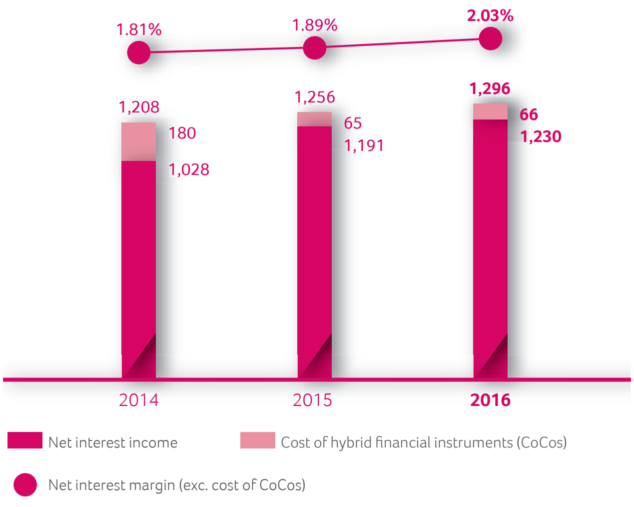
In 2016, the net interest income benefited of the positive interest rate effect, influenced by the decrease in interest rates of term deposits, which more than compensated the effect of the decrease in the interest rates of loans to customers. Yet the improvement of the net interest income was mitigated by the negative volume effect, mainly led by the smaller volume of loans to customers.

The favourable behaviour of net interest income in Portugal, which recorded a 3.5% increase vs. 2015, standing at 736 million euros, translates the positive contribution of the commercial margin, induced by the 64 b.p. decrease of the rates for term deposits year-on-year, which highly offset the smaller yield decrease of the loans and debt securities portfolios, conditioned by the evolution of interest rates.

The net interest income of the international activity stood at 494 million euros in 2016, a 3.1% rise from the 479 million euros recorded in 2015 (a 19.8% rise excluding exchange rate effects), influenced by the increase in credit and deposit volumes accounted in the subsidiary companies of Mozambique and Poland, as well as by the 26 b.p. decrease in the interest rates for customers deposits.

NET INTEREST INCOME

Million euros



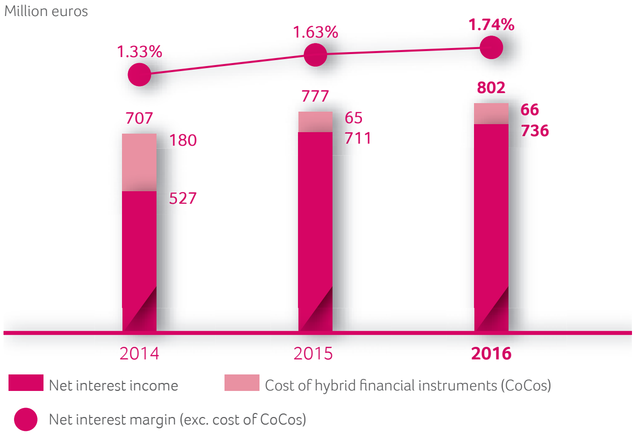
In 2016, average net assets recorded 73,685 million euros, a 4.5% decrease from 77,128 million euros in 2015. This reflects the reduction of interest earning assets, namely the average balance of loans to customers, that stood at 49,428 million euros in 2016 compared to the 52,318 million recorded in 2015, and despite the increase in the average balance of financial assets, which grew from 10,184 million euros in 2015 to 10,396 million euros in 2016.

Average total interest bearing liabilities declined to 65,279 million euros in 2016, compared to 66,860 million euros in 2015, as a result of the reduction of issued debt and financial liabilities average balance to 4,123 million euros in 2016 (5,318 million euros in 2015) and of the decrease in deposits from credit institutions to 10,497 million euros in 2015 (10,712 million euros in 2015), combined with the reduction of subordinated debt average balance from 1,837 million euros in 2014 to 1,649 million euros in 2016. These evolutions were partially offset by the increase in the average balance of customer deposits that reached 49,010 million euros in 2016 (48,993 million euros in 2015), showing the effort made to retain them, aimed at reducing the commercial gap and at the primary funding of loan activity by customer deposits.

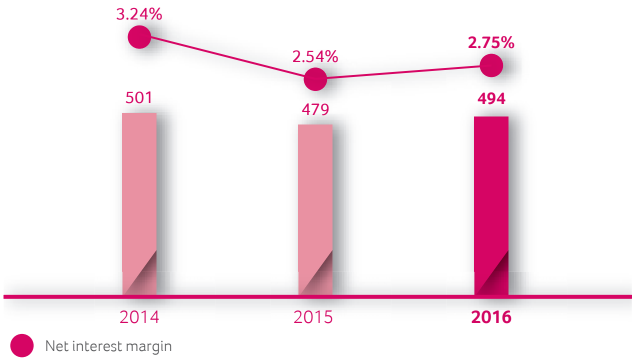
In terms of the average balance sheet structure, the average balance of interest earning assets represented 85.4% of the average net assets in 2016, compared to 84.9% in 2015. The weight of the loans to customers component in the balance sheet structure decreased standing at 67.1% of average net assets in 2016 (67.8% in 2015), and continues to be the main aggregate of the interest earning assets portfolio, while the weight of the financial assets portfolio in the balance sheet structure increased to 14.1% of average net assets in 2016 (13.2% in 2015).

In the structure of interest bearing liabilities, customer deposits continued to be the main source of funding and support of the intermediation activity, increasing its importance for the liabilities structure by representing 75.1% of the average interest bearing liabilities balance in 2016 (73.3% in 2015). The component of debt securities issued and financial liabilities showed a reduction of their weight in interest bearing liabilities balance to 6.3% in 2016 (8.0% in 2015 and 11.7% in 2014), together with the reduction of the weight of subordinated debt in total interest bearing liabilities to 2.5% in 2016 (2.7% in 2015 and 4.6% in 2014).

NET INTEREST INCOME
Activity in Portugal
Million euros



NET INTEREST INCOME
International activity
Million euros



(Million euros)

AVERAGE BALANCES

	2016		2015 (re-presented)		2014	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	**3,085**	**0.62%**	3,015	0.87%	3,254	1.17%
Financial assets	**10,396**	**2.08%**	10,184	2.55%	12,236	3.41%
Loans and advances to customers	**49,428**	**3.25%**	52,318	3.45%	55,068	3.81%
TOTAL INTEREST EARNING ASSETS	**62,909**	**2.92%**	65,517	3.19%	70,558	3.62%
Discontinued operations[1]	**731**		2,000		398	
Non-interest earning assets	**10,045**		9,611		9,587	
TOTAL ASSETS	**73,685**		77,128		80,543	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	**10,497**	**0.28%**	10,712	0.59%	12,217	0.67%
Amounts owed to customers	**49,010**	**0.70%**	48,993	1.12%	48,715	1.65%
Debt issued and financial liabilities	**4,123**	**3.25%**	5,318	3.47%	8,550	3.79%
Subordinated debt	**1,649**	**7.33%**	1,837	6.71%	3,335	7.23%
TOTAL INTEREST BEARING LIABILITIES	**65,279**	**0.96%**	66,860	1.37%	72,817	1.99%
Discontinued operations[1]	**684**		1,795		323	
Non-interest bearing liabilities	**2,414**		2,919		3,027	
Shareholders' equity and Non-controlling interests	**5,308**		5,554		4,376	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	**73,685**		77,128		80,543	
NET INTEREST MARGIN[2]		**1.92%**		1.79%		1.56%
Excluding cost of hybrid financial instruments (CoCos)		**2.03%**		1.89%		1.81%

[1] Includes activity of subsidiaries in Romania (sold in January 2015), Millennium bcp Gestão de Activos (sold in May 2015), and respective consolidation adjustments. In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2015 was re-presented.
[2] Net interest income as a percentage of average interest earning assets.
Note: average balance calculated based on monthly average of end of month balances, accumulated in the period. Interest related to hedge derivatives were allocated, in 2016, 2015 and 2014, to the respective balance item.

The average balance of assets and liabilities of discontinued operations in 2016 e 2015 (re-presented) translates the effect of assets and liabilities of Banco Millennium Angola consolidated until April 2016 and their subsequent derecognition in May 2016, after the completion of the merger of that entity with Banco Privado Atântico.

(Million euros)

FACTORS INFLUENCING NET INTEREST INCOME

	2016 *vs.* 2015			
	Volume	Rate	Rate/Volume mix	Net change
INTEREST EARNING ASSETS				
Deposits in credit institutions	1	(8)	-	(7)
Financial assets	6	(49)	(1)	(44)
Loans and advances to customers	(101)	(109)	11	(199)
TOTAL INTEREST EARNING ASSETS	(85)	(179)	14	(250)
INTEREST BEARING LIABILITIES				
Amounts owed to credit institutions	(1)	(33)	-	(34)
Amounts owed to customers	-	(205)	2	(203)
Debt issued and financial liabilities	(42)	(12)	3	(51)
Subordinated debt	(13)	12	(1)	(2)
TOTAL INTEREST BEARING LIABILITIES	(22)	(277)	9	(290)
NET INTEREST INCOME	(63)	98	5	40

Net interest margin stood at 1.92% in 2016, compared to the 1.79% recorded in 2015, benefiting from the increases observed in the activity in Portugal and in the international activity. Excluding the impact of the CoCo bonds' funding cost, net interest margin stood at 2.03% in 2016 (1.89% in 2015). The analysis of the average balance sheet shows a reduction, between 2015 and 2016, of the average interest rates of the components directly related to operations with customers, where it should be noted that the change in the average rate of loans to customers was lower than the one recorded in the average rate of customer deposits.

OTHER NET INCOME

Other net income, which includes income from equity instruments, net fees, net trading income, other net operating income and equity accounted earnings reached 867 million euros in 2016, which compare with the 1,113 million euros recorded in 2015, largely driven by the performance recorded in net trading income in Portugal, mainly influenced by the 396 million euros in gains with the sale of Portuguese public debt in 2015.

(Million euros)

OTHER NET INCOME

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Dividends from equity instruments	**8**	10	3	-20.1%
Net commissions	**644**	660	649	-2.5%
Net trading income	**240**	539	416	-55.4%
Other net operating income	**(106)**	(120)	14	11.7%
Equity accounted earnings	**81**	24	36	242.3%
TOTAL	**867**	1.113	1.119	-22.1%
Of which:				
Activity in Portugal	**590**	840	831	-29.8%
International activity	**277**	273	288	1.4%

[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.

INCOME FROM EQUITY INSTRUMENTS

Dividends from equity instruments comprise dividends and income from participation units received from instruments in financial assets available for sale or held for trading. In 2016 this income reached 8 million euros, a 2 million euros fall when compared to the 10 million euros recorded in 2015, essentially corresponding to the income associated to the Group's investments that incorporate the shares portfolio (5 million euros) and the investment fund participation units (3 million euros).

NET COMMISSIONS

Net commissions and fees include fees related to the banking business and fees directly related to financial markets. In 2016, net commissions reached 644 million euros, a 2.5% fall when compared to the 660 million euros recorded in 2015, influenced by the lower level of commissions recorded in the international activity (-11.7%), partially in Mozambique and especially in Poland, which estimated 187 million euros less in 2016 than in 2015 (212 million euros). Net commissions in the international activity fell by 0.6% between 2015 and 2016 if one excludes the exchange rate effect.

The activity in Portugal evolved favourably by 1.9%, reaching 457 million euros in total at the end of 2016 (71% of total commissions).

The performance of net commissions recorded in 2016 showed a 1.7% (-9 million euros) decrease in bank fees, caused by the smaller level of fees from the international operations, partially mitigated by the good performance of fees in Portugal, and the decrease of commissions related to financial markets of 5.8% (-8 million euros), influenced by the lower level of fees on securities trade.

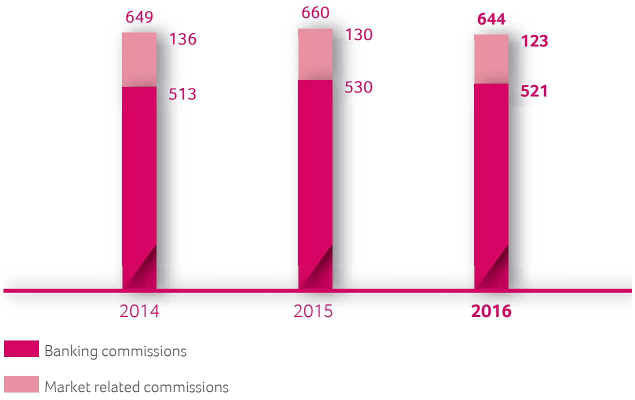
Commissions directly related to the banking business reached 521 million euros in 2016, compared to 530 million euros in 2015, largely reflecting the fall in commissions related to cards and transfers, together with fees on loans and guarantees and fees of other banking products, in spite of the favourable performance of the commissions from the bancassurance business and from account management and maintenance.

The commissions associated to the card business and transfers fell by 9.1%, amounting to 144 million euros in 2016, compared to 159 million euros recorded in 2015, driven by the poorer performance of the commissions related to cards recorded by the international activity. This performance had a slight benefit from the 0.8% increase in sales in Portugal.

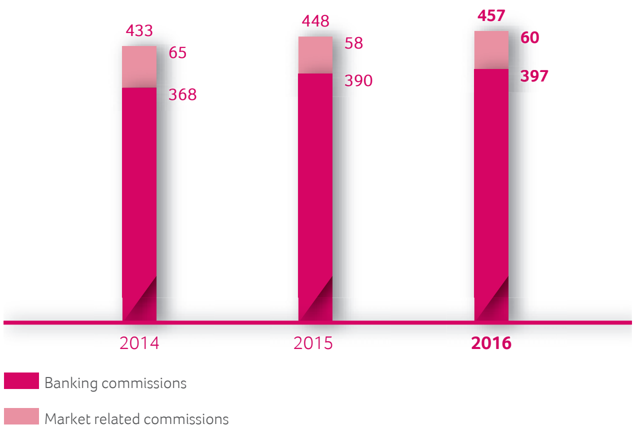
Commissions related to loan operations and guarantees reached a total of 160 million euros in 2016, in line with 2015, favourably influenced by the commissions related to loan operations accounted by the international activity, which compensated the smaller volume of fees from credit operations and guarantees recorded in Portugal.

Bancassurance commissions, which includes commissions obtained for the mediation of Life (capitalisation products, mortgage loans and consumer loans) and Non-Life (accidents or health, car, multi-risk home and other Non-Life products) insurance products through the Bank's distribution networks operating in Portugal, stood at 77 million euros in 2016, showing an improvement of 1.8%, compared to the 75 million euros posted in 2015.

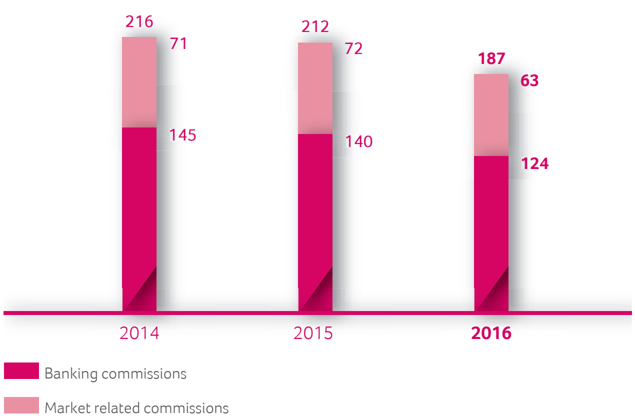
NET COMMISSIONS
Million euros



NET COMMISSIONS
Activity in Portugal
Million euros



NET COMMISSIONS
International activity
Million euros



Net commissions related to the opening and maintenance of Customer accounts reached 91 million euros in 2016, showing an increase of 7.3%, compared to the 84 million euros in 2015, benefiting from the performance registered in the activity in Portugal.

Other fees directly related to banking business totalled 49 million euros in 2016, compared to 51 million euros posted in 2015, conditioned by the reduction of 29.9% (-12 million euros), achieved by the international operations, despite the good performance of the activity in Portugal, which surged 76.5% (+10 million euros).

Commissions related to financial markets went from 130 million euros in 2015 to 123 million euros in 2016, a 5.8% fall largely due to the performance of the international component, in particular the activity developed by the subsidiary in Poland, which fell 10.5% (-5 million euros) in terms of fees for management and intervention and securities transactions. The activity in Portugal evolved favourably in what regarded fees from securities transactions, from 52 million euros in 2015, reaching 54 million euros at the end of 2016.

Commissions associated with securities transactions amounted to 85 million euros in 2016, compared to 91 million euros in 2015, showing a 7.3% reduction. The performance of commissions from securities transactions mainly translates the smaller profits recorded in Poland and Switzerland, partially mitigated by the good performance of fees in Portugal, namely the gains from operations for the placement and structuring of operations in the primary and secondary market, highlighting the treasury bonds issued in the second half of 2016 by the Portuguese Republic, represented by the Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E.P.E (Agency for Treasury and Public Debt Management).

In 2016, fees from asset management totalled 38 million euros, which compare to the 39 million euros recorded in 2015 (-2.2%), basically reflecting the smaller profits from the international activity, namely in Poland, which recorded a 3 million euros decrease in profits (-13.7%).

(Million euros)

NET COMMISSIONS

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
BANKING COMMISSIONS				
Cards and transfers	**144**	159	178	-9.1%
Credit and guarantees	**160**	160	147	0.0%
Bancassurance	**77**	75	73	1.8%
Current accounts related	**91**	84	77	7.3%
Commissions related with the State guarantee	**-**	-	(23)	
Other commissions	**49**	51	62	-3.9%
SUBTOTAL	**521**	530	513	-1.7%
MARKET RELATED COMMISSIONS				
Securities	**85**	91	97	-7.3%
Asset management	**38**	39	39	-2.2%
SUBTOTAL	**123**	130	136	-5.8%
TOTAL NET COMMISSIONS	**644**	660	649	-2.5%
of which:				
Activity in Portugal	**457**	448	433	1.9%
International activity	**187**	212	216	-11.7%

[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.

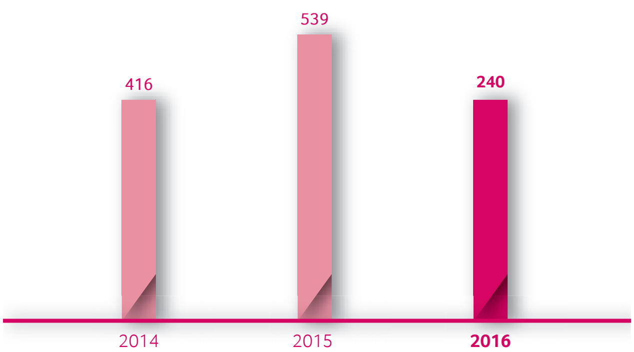
NET TRADING INCOME

Net trading income, which includes net gains from foreign exchange transactions, net gains from trading and hedging activities, net gains from financial assets available for sale and net gains from financial assets held to maturity, totalled 240 million euros in 2016, compared to 539 million euros recorded in 2015.

The evolution of trading income mirrors the performance achieved in Portugal, mainly translating the gains from the sale of Portuguese treasury bonds, worth 396 million euros in 2015, which compare with the gains of 10 million euros and a one-off gain of 96 million euros with Visa Inc.'s purchase of the stakes held by the Bank in Portugal and by Bank Millennium in Poland in the share capital of Visa Europe, in 2016.

NET TRADING INCOME

Million euros



In the international activity, net trading income went up from 96 million euros in 2015 to 140 million euros recorded in 2016 (+45.6%), mainly reflecting the gains from the sale of Visa Europe's shares by the Bank in Poland (+70% million euros), despite the smaller income from foreign exchange transactions carried out by the subsidiaries in Poland and Mozambique. In the same period, excluding exchange rate effects, trading income from the international activity represented a 77.1% increase versus the same period in 2015.

(Million euros)

NET TRADING INCOME

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Results from trading and hedging activities	**102**	118	128	-13.8%
Results from available for sale financial assets	**139**	421	302	-67.1%
Results from financial assets held to maturity	**-**	-	(14)	
TOTAL	**240**	539	416	-55.4%
Geographic breakdown:				
Activity in Portugal	**100**	443	344	-77.4%
of which: Portuguese sovereign debt[2]	**10**	395	319	-97.4%
International activity	**140**	96	73	45.6%

[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.
[2] Includes results from trading and hedging activities and from available for sale financial assets.

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets, recorded losses of 106 million euros, an improvement on 2015's losses of 120 million euros.

In the activity in Portugal, this item incorporates, for 2016, the cost related to the contribution of 21.2 million euros (31.4 million euros in 2015) to the Single Resolution Mechanism (SRM), the additional contribution in the amount of 5.7 million euros (6.4 million euros in 2015) required for the National Resolution Fund, the contribution for the banking sector of 24.8 million euros (24.9 million euros in 2015) and the contribution of 0.1 million euros (1.3 million euros in 2015) to the Deposit Guarantee Fund and the ECB supervision fee worth 1.5 million euros (1.3 million euros in 2015), totalling 53.2 million euros in 2016 (65.3 million euros in 2015) owed on account of mandatory contributions.

The evolution of other net operating income in the international activity in 2016, with an increase of 28 million euros in net losses (+78.7%) vs. the 2015 financial year, was penalized by the introduction of a new tax on the banking sector in Poland in 2016, with an impact of 40 million euros (2015: no contribution).

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings from associates, which include the results appropriated by the Group associated with the consolidation of entities where the Group, in spite of having significant influence, does not exercise control over their financial and operating policies, reached a total of 81 million euros in 2016, compared to 24 million euros recorded in 2015.

The performance observed in 2016 of equity accounted earnings include an increase of 18 million euros compared to the previous year, associated to the results obtained from the 49% stake held in Millenniumbcp Ageas, as well as the appropriation, since May 2016, of 13 million euros of earnings from the 22.5% stake in Banco Millennium Atlântico, the new entity resulting from the merger of Banco Millennium Angola with Banco Privado Atlântico. Equity accounted earnings also incorporate the increase in the contributions from the stakes held in the associated companies, Unicre - Instituição Financeira de Crédito, S.A. (22 million euros) and SIBS (9 million euros), due to the sale of their stakes in Visa Europe.

(Million euros)

EQUITY ACCOUNTED EARNINGS AND INCOME

	2016	2015 (re-presented)	2014	Chan. % 16/15
Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.	**26**	8	36	218.1%
UNICRE – Instituição Financeira de Crédito, S.A.	**27**	5	2	419.0%
Banco Millennium Atlântico, S.A.	**13**	-	-	
SIBS, SGPS, S.A.	**12**	2	3	370.0%
Other	**2**	8	(4)	-71.9%
TOTAL	**81**	24	36	242.3%

OPERATING COSTS

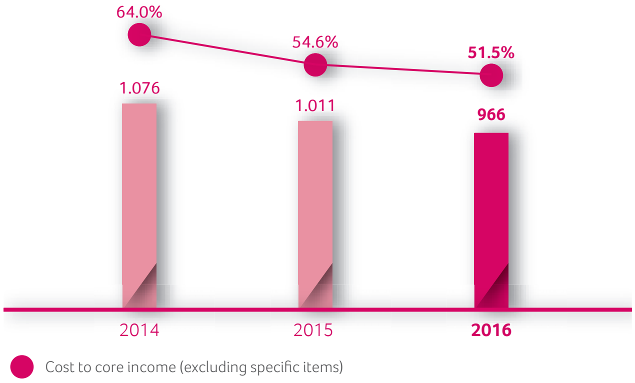
The evolution of operating costs, which aggregate staff costs, other administrative costs, amortisation and depreciation for the year, incorporate the following marginal impacts in 2016: (i) reduction of staff costs, driven by changes to the pension plan conditions, namely retirement age and SAMS contributions; extinction of the seniority award and creation of the Professional Award at the time of retirement, pursuant to the 2016 revision of Millennium bcp's Collective Labour Agreement (-197 million euros); and (ii) increase in restructuring costs related with early retirements and mutually agreed work rescissions (+5 million euros). Excluding these items, operating costs stood at 966 million euros in 2016 (780 million euros with the effect of specific impacts), a 4.5% decrease compared to the 1,011 million euros recorded in 2015, mostly riding the savings achieved by the operation in Portugal. This plunge in operating costs, excluding non-usual items, reflected the decrease of 4.5% in staff costs, 4.0% in other administrative costs and of 7.9% in amortisation and depreciation for the year, a positive contribution to the cost--to-income ratio.

In the activity in Portugal, excluding specific items, operating costs stood at 624 million euros in 2016, a 2.2% decrease compared to the amount recorded in 2015, reflecting the savings obtained in staff costs (-2.5%), embodied in the reduction of the number of Employees, and in other administrative costs (-1.7%).

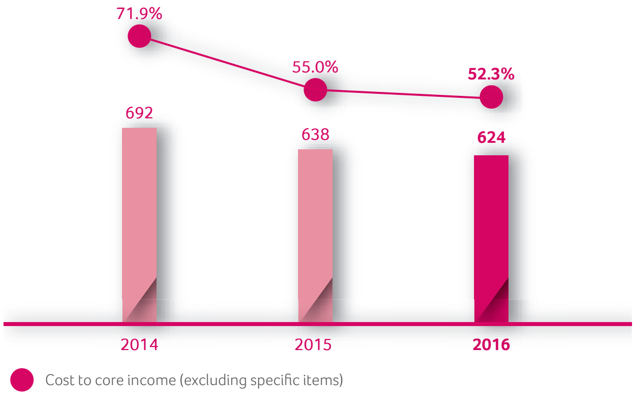
Operating costs from the international activity went down 8.5% (+5.9% excluding exchange rate effects), totalled 342 million euros in 2016, vs. 373 million euros in 2015, mainly influenced by the performance of the operations in Mozambique and Poland.

The consolidated cost to core income ratio (defined by the ratio of operating costs divided by the net interest income and net fees and commission income), excluding the specific items listed in (i) and (ii) above, improved from 54.6% and 64.0% in 2015 and 2014 to stand at 51.5% at the end of 2016, materialising the positive contribution of the operating costs reduction (-4.5%) and the simultaneous increase in net interest income and fees (+1.2%). The cost to core income ratio of the activity in Portugal, excluding specific items, stood at 52.3% in 2016, compared to 55.0% in 2015, benefiting from the higher core earnings recorded and from the positive performance of the operating cost component. In the international activity, the decrease in operating costs led to a better cost to core income ratio of 50.2% in 2016 (54.0% in 2015).

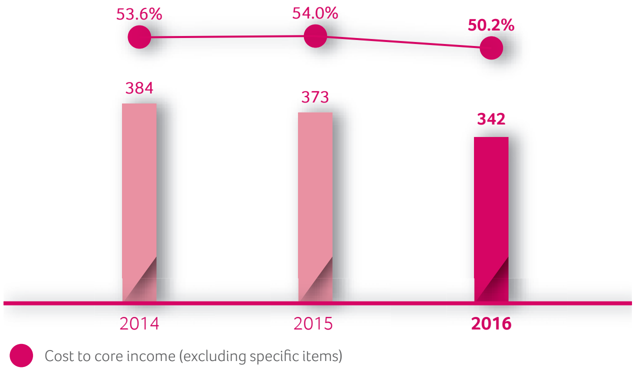
OPERATING COSTS
Million euros



OPERATING COSTS
Activity in Portugal
Million euros



OPERATING COSTS
International activity
Million euros



(Million euros)

OPERATING COSTS

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
ACTIVITY IN PORTUGAL[2]				
Staff costs	**362**	371	411	-2.5%
Other administrative costs	**233**	237	249	-1.7%
Depreciation	**29**	30	32	-2.9%
	624	638	692	-2.2%
INTERNATIONAL ACTIVITY				
Staff costs	**181**	197	193	-8.4%
Other administrative costs	**141**	153	167	-7.7%
Depreciation	**20**	24	24	-14.2%
	342	373	384	-8.5%
CONSOLIDATED[2]				
Staff costs	**542**	568	603	-4.5%
Other administrative costs	**374**	389	416	-4.0%
Depreciation	**50**	54	57	-7.9%
	966	1,011	1,076	-4.5%
SPECIFIC ITEMS				
Restructuring programme and early retirements	**-**	6	-	-100,0%
Restructuring costs and Collect. Lab. Agreem. revision	**(186)**	-	-	
TOTAL	**780**	1,017	1,076	-23.3%

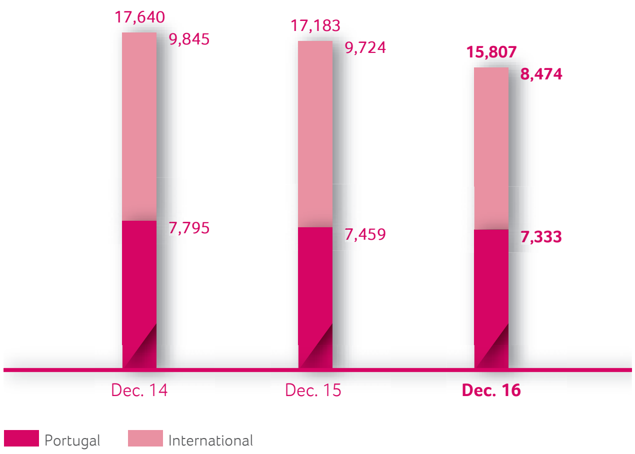
[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.
[2] Excludes impacts of specific items presented in the table.

STAFF COSTS

Staff costs reached 357 million euros in 2016, compared to 574 million euros in 2015, which incorporated the already mentioned specific impacts worth 186 million euros in 2016 and restructuring costs worth 6 million euros in 2015. Excluding the effect of specific items, staff costs dropped 4.5% to 542 million euros in 2016 (568 million euros in 2015).

In the activity in Portugal, excluding the effect of specific items, staff costs decreased by 2.5% to 362 million euros in 2016 (371 million euros in 2015), reflecting the effects of the restructuring programme, embodied in the 1.7% reduction of the number of Employees to a total of 7,333 Employees at the end of 2016, compared to 7,459 Employees at the end of 2015.

NUMBER OF EMPLOYEES



In the international activity, staff costs amounted to 181 million euros in 2016, reflecting a decreased by 8.4% (+4.4% excluding exchange rate effects) compared to the 197 million euros registered in 2015. This performance was driven by the decreases observed in the subsidiaries in Poland and Mozambique. At the end of 2016, the number of Employees allocated to the international activity fell by 12.9% (0.3% on a comparable basis), compared to the number recorded in the previous year, to stand at a total of 8,474 Employees (9,724 Employees at the end of 2015, 1,225 of which worked for Banco Millennium Angola). The number of Employees in the international activity decreased, on a comparable basis, between the end of 2016 and 2015, induced mostly by the evolution in Poland activity (-67 Employees), partly offset by Mozambique (+46 Employees).

(Million euros)

STAFF COSTS

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Salaries and remunerations	**416**	435	461	-4.3%
Social securtiy charges and other staff costs[2]	**126**	133	142	-5.2%
	542	568	603	-4.5%
Specific items				
Restructuring programme and early retirements	**-**	6	-	-100.0%
Restructuring costs and Collect. Lab. Agreem. revision	**(186)**	-	-	
TOTAL	**357**	574	603	-37.9%

[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.
[2] Excludes impacts of specific items presented in the table.

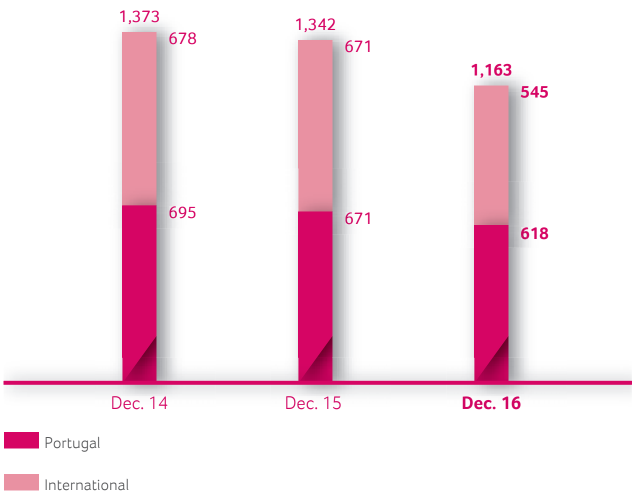
OTHER ADMINISTRATIVE COSTS

Other administrative costs decreased 4.0%, reaching 374 million euros by the end of 2016, compared to a total of 389 million euros recorded in 2015, favourably influenced by the savings obtained in the headings of maintenance and repair, rents and advertising.

This performance, on the one hand, benefited from the implementation of several initiatives to improve operating efficiency, namely by optimizing the branch network in Poland, which totalled 368 branches by the end of 2016, 43 branches down on the 411 branches at the end of 2015, and on the other hand, was penalized by the evolution recorded in Mozambique, particularly in costs related to specialized services, maintenance and related services, rents and advertising.

In Portugal, the 1.7% (4 million euros) reduction in other administrative costs was achieved through lower costs with rents, due to the closing of 53 branches, totalled 618 by the end of 2016, and by cuts in advertising, which offset the rise in costs related to specialized services.

BRANCHES



In the international activity, other administrative costs amounted to 141 million euros in 2016, a 7.7% decrease(+7.8% excluding exchange rate effects) from the 153 million euros posted in 2015. The total number of branches allocated to the international activity fell from 671 branches at the end of 2015 (90 of which belonged to Banco Millennium Angola) to 545 branches at the end of 2016, representing a reduction of 36 branches on a comparable basis.

(Million euros)

OTHER ADMINISTRATIVE COSTS

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Water, electricity and fuel	**16**	17	18	-10.3%
Consumables	**4**	5	5	-12.7%
Rents	**100**	103	108	-3.3%
Communications	**23**	23	25	-3.5%
Travel, hotel and representation costs	**8**	8	8	-9.2%
Advertising	**24**	27	29	-11.6%
Maintenance and related services	**19**	23	26	-16.1%
Credit cards and mortgage	**5**	5	5	-8.3%
Advisory services	**13**	12	12	16.2%
Information technology services	**19**	17	18	6.7%
Outsourcing	**76**	76	75	0.3%
Other specialised services	**22**	24	23	-7.9%
Training costs	**1**	2	1	-29.6%
Insurance	**4**	5	5	-6.4%
Legal expenses	**6**	7	7	-4.5%
Transportation	**8**	8	9	-4.6%
Other supplies and services	**26**	27	40	-3.8%
TOTAL	**374**	389	416	-4.0%

[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.

DEPRECIATION

Depreciation for the year amounted to 50 million euros in 2016, showing a decrease of 7.9% when compared to the 54 million euros posted in 2015, essentially as a result of the performance of the activity abroad (14.2%).

The 2.9% reduction (-1 million euros) in depreciation for the year, in the activity in Portugal, when compared to the same period of 2015, reflects the gradual end of the depreciation period of investments made in previous years, in particular the lower level of depreciation recorded in the headings of real estate properties and software.

The 14.2% plunge (+7.4% excluding exchange rate effects) in the amortizations for the year recorded by the international activity in 2016, compared to 2015, was influenced by the performance of the headings related with real estate properties, equipment and software, especially in Mozambique.

LOAN IMPAIRMENT

In 2016, loan impairment (net of recoveries) amounted to 1,117 million euros, a 36.6% increase from the 818 million euros in 2015. This reflects the additional provisions for improving coverage levels, contributing to a better NPL for more than 90 days impairment ratio, adjusted to the effects of discontinued operations, which grew from 86.2% in 2015 to 107.0% in 2016.

In the international activity, with a total of 72 million euros as at 31 December 2016, a 18.6% increase was recorded in loan impairment charges (net of recoveries), compared to the 88 million euros recorded in 2015 (-5.8% excluding exchange rate effects). This evolution was driven by the smaller allocations made in Poland.

As a consequence of the effort with provisioning made in 2016, the cost of risk stood at 216 basis points, compared to 150 basis points registered in 2015, and the credit at risk in total credit ratio improved, going down from 11.3% as at 31 December 2015 to 10.9% at the end of 2016.

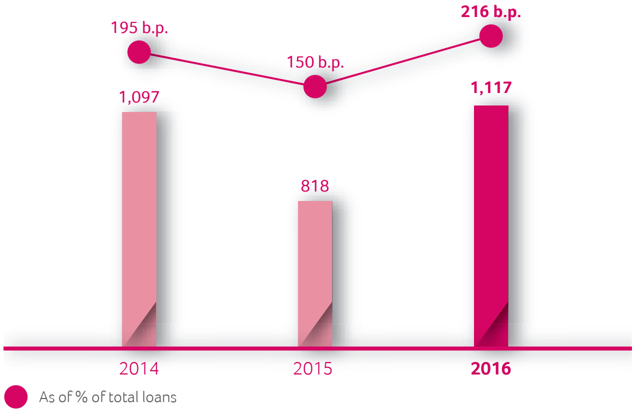
OTHER IMPAIRMENTS AND PROVISIONS

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

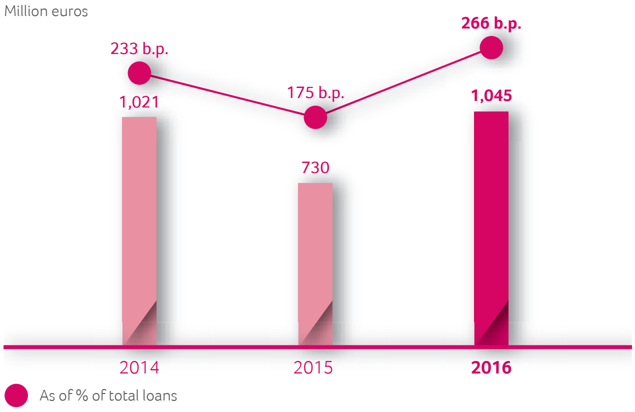
Charges for other impairments and provisions stood at 481 million euros in 2016, a 321 million euros increase compared with 160 million euros recorded in 2015. This evolution reflects the higher level of charges related to impairment of other financial assets (+218 million euros), related to the stakes held in the corporate restructuring funds, to other impairments and provisions (+52 million euros), related to other risks and costs and to repossessed assets, and to the investment of goodwill of the real estate loan activity recorded in 2016 (+51 million euros).

In the international activity, there was a higher level of charges for other impairment and provisions in 2016, standing at the total amount of 10 million euros, compared to the 7 million euros posted in 2015, reflecting the reinforcement registered in the subsidiary in Poland.

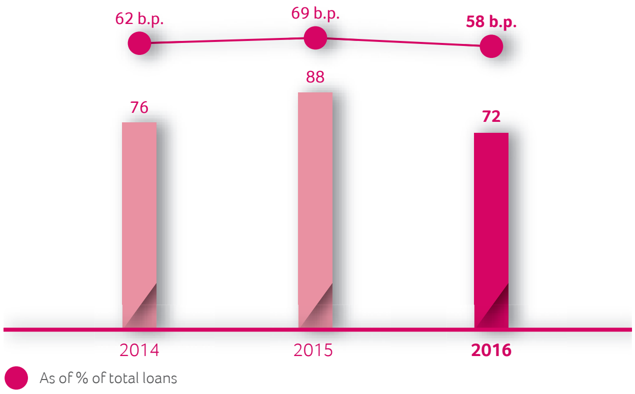
IMPAIRMENT CHARGES (NET)
Million euros



IMPAIRMENT CHARGES (NET)
Activity in Portugal
Million euros



IMPAIRMENT CHARGES (NET)
International activity
Million euros



(Million euros)

LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES)

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Loan impairment charges	**1,151**	847	1,112	35.8%
Credit recoveries	**34**	29	15	15.3%
TOTAL	**1,117**	818	1,097	36.6%
Cost of risk:				
Impairment charges as a % of total loans	**222 b.p.**	156 b.p.	198 b.p.	66 b.p.
Impairment charges (net of recoveries) as a % of total loans	**216 b.p.**	150 b.p.	195 b.p.	66 b.p.

Note: cost of risk adjusted from discontinued operations.
[1] In order to simplify the comparability of the information, the income statement of 2014 was adjusted considering the BMA's activity as a discontinued operation.

INCOME TAX

Income tax (current and deferred) reached 382 million euros in 2016, compared with -38 million euros recorded in 2015.

This tax includes 495 million euros (54 million euros in 2015) in deferred tax income, net of current tax costs of 113 million euros (91 million euros in 2015).

Deferred tax income in 2016 mainly regards deferred tax assets associated to impairment losses (425 million euros; 2015: 162 million euros), dividends (-93 million euros; 2015: no value recorded) and tax losses (153 million euros; 2015: -137 million euros).

NON-CONTROLLING INTERESTS

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

Non-controlling interests totalled 122 million euros in 2016, which compare to 126 million euros in 2015, basically translating the net income for the year attributable to third parties related to the shareholdings held in the share capital of Bank Millennium in Poland (49.9%), former Banco Millennium Angola (49.9%) until the date of completion of the merger with Banco Privado Atlântico, and of Millennium bim in Mozambique (33.3%).

The evolution of non-controlling interests incorporates the effect of the increase in net income recorded by Bank Millennium in Poland (+21 million euros), on one hand, and the decrease in net income of Millennium bim in Mozambique (-4 million euros) and of former Banco Millennium Angola (-19 million euros), which was only fully consolidated in the first four months of 2016.

REVIEW OF THE BALANCE SHEET

The recovery of the Portuguese economy initiated in 2013 is still moderate and its growth prospects were downgraded in the last two years. The expected strong development of external demand resulting in the growth of exports in volume and market share did not occur, showing the influence of low inflation in the euro area and of the persistence of an unsatisfactory performance by some emerging economies.

The recent political developments, namely the Brexit and the presidential elections in the USA generated additional levels of uncertainty with potential implications in the economic activity and in the financial markets globally.

The recovery pace of the Portuguese economy, influenced by the political events mentioned earlier, continues to be negatively conditioned by other factors, namely: (i) demographic evolution featuring emigration of young and skilled workers, population ageing, reduced birth-rate and an increase in life expectancy; (ii) the significant and prolonged lack of investment by companies, without signs of reversion; and (iii) the persistence of a high level of long-term unemployment.

Apart from the weak potential growth of the Portuguese economy, the level of indebtedness of the public and private sectors still high versus other countries of the European Union translates a significant economic vulnerability, notwithstanding the ongoing deleveraging of the financial situation of individuals and of non--financial companies throughout the last few years. The efforts made to reduce the debt will have to continue in the forthcoming years, namely the one made by the economic agents with higher indebtedness levels.

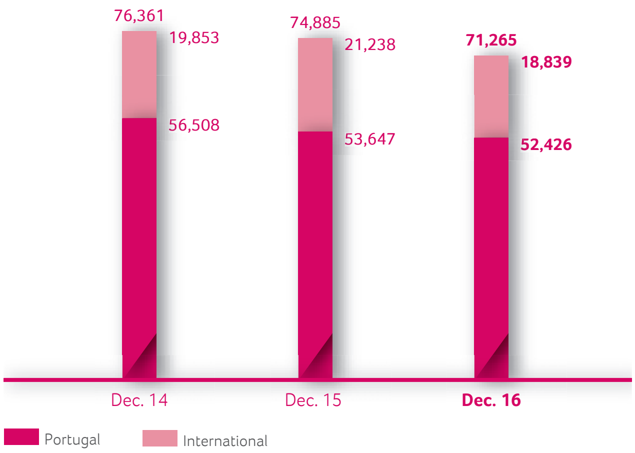
During 2016, consolidated wholesale funding of Millennium bcp increased by 0.5 billion euros, mainly due to the reinforcement of both the portfolios of Portuguese public and private debt, already foreseen in the Liquidity Plan for 2016, mitigated by the decrease of the commercial gap and the share capital increase operation made in November.

Together with the refinancing of medium/long-term debt amounting to 1.0 billion euros (of which 0.8 billion euros of senior debt and 121 million euros of subordinated debt, including the early redemption of 50 million euros of CoCos), the increase of the funding needs compared to 31 December 2015 involved the increase of the repos in Portugal (to a balance of 2.3 billion euros) and the 0.6 billion euros decrease of the gross borrowings with the Eurosystem (to a balance of 4.9 billion euros). In net terms, the funding with the ECB decreased at a faster pace, through the reduction of 0.9 billion euros from the end of 2015 to a balance of 4.4 billion euros, continuing the progressive decreasing trend seen since 2011.

It is worth highlighting that the diversification of the funding instruments, set out in 2016 Liquidity Plan, was carried on with the realisation in significant number and amounts of the first repos collateralized by covered bonds and securitised assets, in addition to the use of Portuguese sovereign debt.

Total assets, excluding the impact of Banco Millennium in Angola, classified as a discontinued operation, stood at 71,265 million euros as at 31 December 2016, compared with 74,885 million euros as at 31 December 2015, mainly reflecting loans to customers' portfolio retraction.

TOTAL ASSETS
Million euros



The consolidated loans to customers (gross) stood at 51,758 million euros as at 31 December 2016, having decreased by 4.9% relative to the 54,443 million euros registered at the end of 2015 (55,438 million euros including 996 million euros related with the activity of Banco Millennium Angola classified as an operation being discontinued in the first quarter of 2016). These figures were influenced by the decrease of activity in Portugal (-5.4%) and in the international activity (-3.5%) versus the end of 2015, affected by the depreciation of the zloty and metical versus the euro.

(Million euros)

BALANCE SHEET AT 31 DECEMBER

	2016	2015	2014	Chan. % 16/15
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions[1]	**3,079**	3,538	3,959	-13.0%
Loans and advances to customers	**48,018**	51,970	53,686	-7.6%
Financial assets held for trading	**1,049**	1,189	1,674	-11.8%
Other financial assets held for trading at fair value through profit or loss	**147**	152	-	-3.5%
Financial assets available for sale	**10,596**	10,779	8,263	-1.7%
Financial assets held to maturity	**511**	495	2,311	3.3%
Investments in associated companies	**599**	316	323	89.7%
Non-current assets held for sale	**2,250**	1,765	1,622	27.5%
Other tangible assets, goodwill and intangible assets	**636**	882	1,008	-27.9%
Current and deferred tax assets	**3,202**	2,605	2,440	22.9%
Other[2]	**1,178**	1,194	1,073	-1.3%
TOTAL ASSETS	**71,265**	74,885	76,361	-4.8%
LIABILITIES				
Deposits from Central Banks and from other credit institutions	**9,938**	8,591	10,966	15.7%
Deposits and repurchase agreements with customers	**48,798**	51,539	49,817	-5.3%
Debt securities issued	**3,513**	4,768	5,710	-26.3%
Financial liabilities held for trading	**548**	723	953	-24.3%
Subordinated debt	**1,545**	1,645	2,026	-6.1%
Other[3]	**1,659**	1,938	1,903	-14.4%
TOTAL LIABILITIES	**66,000**	69,204	71,374	-4.6%
EQUITY				
Share capital	**4,269**	4,094	3,707	4.3%
Treasury stock	**-3**	-1	-14	-142.6%
Share Premium	**16**	16	-	
Preference shares	**60**	60	171	
Other capital instruments	**3**	3	10	
Fair value reserves	**-131**	23	107	-661.9%
Reserves and retained earnings[4]	**144**	192	458	-25.3%
Profit for the year attributable to Shareholders	**24**	235	-227	-89.8%
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**4,382**	4,623	4,213	-5.2%
Non-controlling interests	**883**	1,057	774	-16.5%
TOTAL EQUITY	**5,265**	5,681	4,987	-7.3%
TOTAL LIABILITIES AND EQUITY	**71,265**	74,885	76,361	-4.8%

[1] Includes Cash and deposits at Central Banks and Loans and advances to credit institutions.
[2] Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.
[3] Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.
[4] Includes Legal and statutory reserves and Reserves and retained earnings.

Total liabilities stood at 66,000 million euros on 31 December 2016, a 4.6% decrease in comparison with 69,204 million euros registered on 31 December 2015, mainly evidencing: (i) the reduction in deposits and repurchase agreements with customers (-5,3%) to a total of 48,798 million euros as at 31 December 2016, versus the 51,539 million euros registered on 31 December 2015 (includes 1,692 million euros related with the activity of Banco Millennium Angola, classified as an operation being discontinued in the first quarter of 2016); (ii) the 26.3% fall in debt securities issued, totalling 3,513 million euros by the end of 2016 (4,768 million euros at the end of 2015), translating the reduction of the commercial gap and the diversification of wholesale funding sources; and (iii) the increase in deposits from Central Banks and from other credit institutions by 15.7%, to a total of 9,938 million euros as at 31 December 2016 (8,591 million euros by the end of 2015), in spite of the lesser exposure to ECB funding.

The evolution of total balance sheet customer funds, excluding the impact of Banco Millennium Angola, classified as a discontinued operation in the first quarter of 2016 wherein deposits and repurchase agreements with customers represented 77.0% of the funding structure of total balance sheet funds on 31 December 2016 (2015: 77.3%), together with lesser loans to customers determined the reduction of the commercial gap (measured by the difference between loans to customers – gross - and customer funds) and a positive evolution of the loan to deposit ratio (measured by the quotient between total loans to customers net of accumulated balance sheet impairments for risks of credit and deposits and repurchase agreements with customers), which stood at 99.2% on 31 December 2016, versus the 101.6% registered in the same period of 2015.

Equity, including non-controlling interests, totalled 5,265 million euros on 31 December 2016, comparing with 5,681 million euros at the end of 2015 (a reduction of 415 million euros).

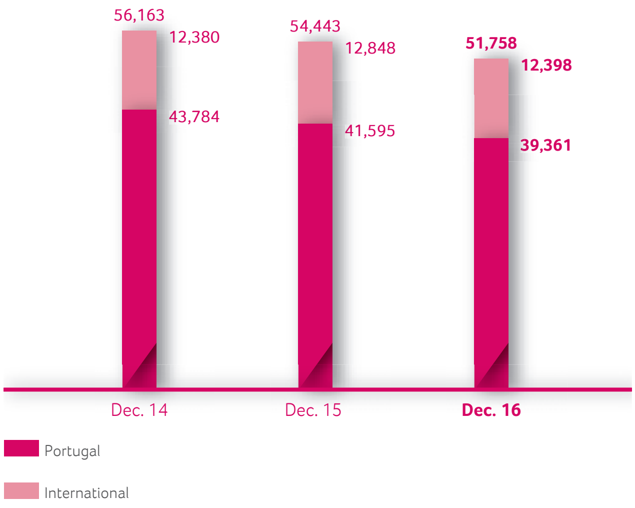
LOANS TO CUSTOMERS

In 2016 and in the Individuals segment in spite of the fact that the families continued to deleverage with a substantial net settlement of the debt, although not as significant as in previous years, there was an increase in the loans granted for consumption, for durables and real estate, induced by the stability in the loan granting criteria and by a greater dynamism evidenced by these market segments.

The process towards the reduction of the debt of the Portuguese companies continued during 2016 and the net payments of the debt to the domestic financial sector continued, despite an increased use of loans granted by banks located abroad. Relating to the Portuguese financial sector, the performance registered by loans to companies was featured by the increased effort to adequate prices to risk, increasing the concentration of loans in companies with a better risk profile and by the improvement of the structure of loans granted, i.e. by reducing loans to sectors such as Construction and Real Estate Activities (Services) and increase loans to sectors such as Trade and Manufacturing Industries.

LOANS AND ADVANCES TO CUSTOMERS[(*)]

Million euros



[(*)] Before loans impairment and on a comparable basis: excludes the impact from discontinued operations.

In Millennium bcp the loans portfolio (gross) stood at 51,758 million euros as at 31 December 2016, having fallen by 6.6% compared to the 55,438 million as at 31 December 2015. However, on 31 December 2015, excluding the amount of 996 million euros related with the activity in Angola (Banco Millennium Angola, classified as a discontinued operation in the first quarter of 2016), the customer loans portfolio stood at 54,443 million euros, showing a fall of 4.9% between 31 December 2015 and the same period of 2016. This performance was influenced by the reduction of activity in Portugal (-5.4%) and in the countries where the Bank operates (-3.5%) versus the end of 2015, being the latter influenced by the depreciation of the zloty and metical versus the euro.

The performance of loans to customers, on a comparable basis, during 2016 resulted in a fall in loans to companies (-6.6% versus 31 December 2015) and in loans to individuals (-3.5% versus 31 December 2015), influenced by the activity in Portugal and by the international activity.

In Portugal, loans to customers fell by 5.4% in relation to 31 December 2015, as a result of the performance of loans to individuals and loans to companies which fell, respectively 3.6% and 7.1%, reflecting the reduction of the non-core business portfolio and the moderate recovery of the Portuguese economy, in spite of the continued focus on offering solutions to support the business structure and families' consumption.

Loans to customers of the international activity, excluding the effect of the loans portfolio associated with the operation in Angola, classified as a discontinued operation, fell 3.5% versus 31 December 2015, penalized by the depreciation of zloty and of metical versus the euro; excluding the foreign exchange effects, loans to customers would have grown 3.0%, triggered by the performance in Poland (+1,2%) and in Mozambique (+19,7%), the latter supported by the increase in loans to companies.

(Million euros)

LOANS AND ADVANCES TO CUSTOMERS(*)

	2016	2015 (comparable)(1)	2014 (comparable)(1)	Chan. % 16/15
INDIVIDUALS				
Mortgage loans	**24,018**	25,040	25,537	-4.1%
Consumer credit	**4,058**	4,045	3,933	0.3%
	28,076	29,085	29,470	-3.5%
COMPANIES				
Services	**9,104**	10,023	10,639	-9.2%
Commerce	**3,190**	3,188	3,133	0.0%
Construction	**2,859**	3,353	3,911	-14.7%
Other	**8,529**	8,794	9,010	-3.0%
	23,682	25,358	26,693	-6.6%
LOANS AND ADVANCES TO CUSTOMERS				
Individuals	**28,076**	29,085	29,470	-3.5%
Companies	**23,682**	25,358	26,693	-6.6%
	51,758	54,443	56,163	-4.9%
Discontinued operations(1)	**–**	996	1,005	-100.0%
TOTAL	**51,758**	55,438	57,168	-6.6%

(*) Before loans impairment.
(1) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2014 and 2015 was re-presented, through the inclusion of the BMA credit in a line of discontinued operations.

Between 31 December 2015 and 31 December 2016, the structure of the loans to customers portfolio (gross), before credit impairment and on a comparable basis, maintained identical patterns of diversification, with loans to individuals representing 54.2% (2015: 53.4%) and loans to companies 45.8% (2015: 46.6%) of loans to customers.

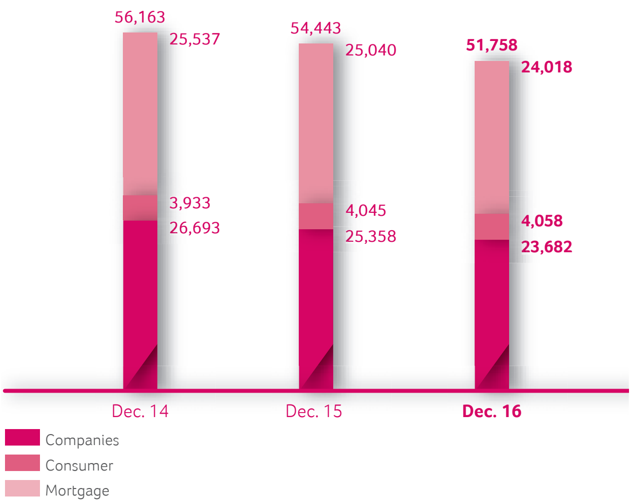
Loans to individuals stood at 28,076 million euros on 31 December 2016, recording a 3.5% decrease versus the 29,085 million euros registered by the end of 2015, excluding the impact of 102 million euros of loans granted by Banco Millennium in Angola to this Customer segment. This performance was mainly explained by the 4.1% reduction of mortgage loans, which represented 85.5% of loans to individuals, totalling 24,018 million euros on 31 December 2016 (25,040 million euros at the end of 2015).

The performance of mortgage loans, on a comparable basis, reflected the 4.2% decrease in the activity in Portugal (-766 million euros), in spite of the historically low levels of market interest rates, and the 3.9% growth registered in the international activity (-256 million euros), compared to 31 December 2015, mainly in Bank Millennium in Poland (-249 million euros). The international activity was influenced by the depreciation of the zloty and of metical versus the euro. If not, the international activity would have fallen 0.5% (-32 million euros).

Consumer loans, on a comparable basis, grew 0.3% (+13 million euros), to stand at 4,058 million euros as at 31 December 2016 (4,045 million euros at the end of 2015) maintaining its relative weight (14.5%) in the total loans to individuals portfolio (2015: 13.9%). This performance was mainly driven by the activity in Portugal which registered a 0.5% increase (+13 million euros) compared to 2015. Disregarding the foreign exchange effect, there was a 9.4% increase in consumer loans in the international activity (+139 million euros), mainly benefiting from the performance of the operation in Poland.

LOANS AND ADVANCES TO CUSTOMERS(*)

Million euros



(*) Before loans impairment and on a comparable basis: excludes the impact from discontinued operations.

(Million euros)

LOANS AND ADVANCES TO CUSTOMERS(*)

	2016	2015 (comparable)(1)	2014 (comparable)(1)	Chan. % 16/15
MORTGAGE LOANS				
Activity in Portugal	**17,698**	18,465	19,142	-4.2%
International activity	**6,320**	6,575	6,395	-3.9%
	24,018	25,040	25,537	-4.1%
CONSUMER CREDIT				
Activity in Portugal	**2,435**	2,423	2,502	0.5%
International activity	**1,623**	1,622	1,431	0.0%
	4,058	4,045	3,933	0.3%
COMPANIES				
Activity in Portugal	**19,227**	20,708	22,139	-7.1%
International activity	**4,455**	4,650	4,554	-4.2%
	23,682	25,358	26,693	-6.6%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	**39,361**	41,595	43,784	-5.4%
International activity	**12,398**	12,848	12,380	-3.5%
	51,758	54,443	56,163	-4.9%
Discontinued operations (1)	-	996	1,005	-100.0%
TOTAL	**51,758**	55,438	57,168	-6.6%

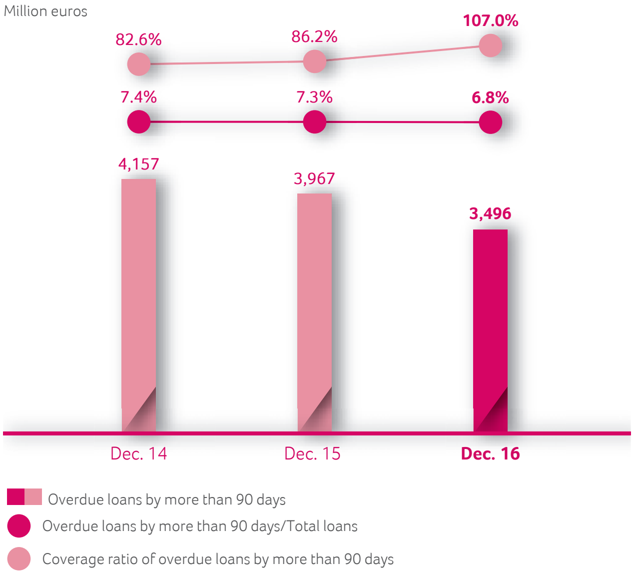
(*) Before loans impairment.
(1) In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2014 and 2015 was re-presented, through the inclusion of the BMA credit in a line of discontinued operations.

Loans to companies stood at 23,682 million euros as at 31 December 2016, compared with the 25,358 million euros registered on 31 December 2015 (-6.6%), excluding the impact of the portfolio of loans to companies granted by Banco Millennium in Angola (894 million euros). In this period and on a comparable basis this loan portfolio continued to be the main component of the consolidated loan portfolio by reaching a weight of 45.8% of its total, where the construction and real estate property sectors accounted for 8.0% at the end of 2016 (2015: 9.0%).

The performance of loans to companies in Portugal, versus the same period of 2015, showed a 7.1% fall (-1,481 million euros), notably the 15.0% (-451 million euros) and 9.6% (-866 million euros) decrease in loans granted to companies from the Construction and Services sectors, respectively. The international activity fell 4.2% (-195 million euros), mainly based on a 91 million euros fall registered by Bank Millennium in Poland and the 157 million euros reduction observed in the operation in Mozambique. Excluding the foreign exchange effect, loans granted to companies by the international operations increased 6.1% (+255 million euros) materialized in the positive performance by Poland, Mozambique and Switzerland, from 31 December 2015 to 31 December 2016, of 0.6% (+19 million euros), 25.5% (+184 million euros) and 26.9% (+56 million euros), respectively.

The quality of the loan portfolio, measured by the levels of the default indicators, namely by the proportion of loans overdue for more than 90 days to total loans, adjusted due to the effect of the discontinued operations, improved to stand at 6.8% as at 31 December 2016,(2015: 7.3%) benefiting from the continued focus on selectivity and monitoring of the credit risk control processes, as well as the initiatives initiated by the commercial areas and credit recovery areas towards the regularising operations in situations of default.

CREDIT QUALITY(*)
Million euros



(*) On a comparable basis: excludes the impact from descontinued operations.

The coverage ratio for loans overdue for more than 90 days by impairment improved to 107.0% as at 31 December 2016, compared to 86.2% at the end of 2015, and the coverage ratio of the total overdue loans portfolio by impairment also improved to stand at 103.0% as at 31 December 2016, compared with 83.7% as at 31 December 2015.

Considering the impact of Banco Millennium Angola, non-performing loans, which, pursuant to Banco de Portugal Instruction No. 16/2004, in its version in force, includes loans overdue for more than 90 days and doubtful loans reclassified as overdue for purposes of provisioning, accounted for 9.0% of total loans as at 31 December 2016, compared to 9.4% as at 31 December 2015. Credit at risk (domestic concept defined by Instruction nr. 22/2011 of Banco de Portugal) reached 10.9% of total loans, as at 31 December 2016, compared with 11.3% at the end of 2015. As at 31 December 2016 and in accordance with Instruction nr. 32/2013 from Banco de Portugal, in its current version, restructured loans stood at 9.7% of total loans (9.8% as at 31 December 2015) and restructured loans not included in credit at risk came to 5.7% of total loans as at 31 December 2016 (5.8% as at 31 December 2015).

(Million euros)

CREDIT QUALITY

	2016	2015 (re-presented)	2014 (re-presented)	Chan. % 16/15
ON A COMPARABLE BASIS: EXCLUDES THE IMPACT FROM DISCONTINUED OPERATIONS				
Loans and advances to customers(*)	**51,758**	54,443	56,163	-4.9%
Overdue loans (>90 days)	**3,496**	3,967	4,157	-11.9%
Overdue loans	**3,631**	4,088	4,246	-11.2%
Impairments (balance sheet)	**3,741**	3,420	3,434	9.4%
Overdue loans (>90 days)/Loans and advances to customers(*)	**6.8%**	7.3%	7.4%	
Overdue loans/Loans and advances to customers(*)	**7.0%**	7.5%	7.6%	
Coverage ratio (Overdue loans >90 days)	**107.0%**	86.2%	82.6%	
Coverage ratio (Overdue loans)	**103.0%**	83.7%	80.9%	
INSTRUCTION NO. 16/2004 FROM THE BANK OF PORTUGAL, AS THE CURRENTLY EXISTING VERSION				
Total loans	**51,845**	55,512	57,246	-6.6%
Overdue loans (>90 days) + doubtful loans	**4,655**	5,239	5,520	-11.1%
Credit at risk	**5,628**	6,289	6,854	-10.5%
Impairments	**3,741**	3,468	3,483	7.9%
Overdue loans (>90 days) + doubtful loans as a % of total loans	**9.0%**	9.4%	9.6%	
Overdue loans (>90 days) + doubtful loans, net/Total loans, net	**1.9%**	3.4%	3.8%	
Credit at risk/Total loans	**10.9%**	11.3%	12.0%	
Credit at risk, net/Total loans, net	**3.9%**	5.4%	6.3%	
INSTRUCTION NO. 32/2013 FROM THE BANK OF PORTUGAL, AS THE CURRENTLY EXISTING VERSION				
Restructured loans/Total loans	**9.7%**	9.8%	11.0%	
Restructured loans not included in the credid at risk/Total loans	**5.7%**	5.8%	7.2%	

(*) Before loans impairment.

Overdue loans for more than 90 days, adjusted in 2015 due to the effect of the discontinued operations, reached 3,496 million euros as at 31 December 2016, corresponding to a 11.9% fall compared to the 3,967 million euros registered at the end of 2015, showing higher default/incident levels mainly in the construction and service sectors (real estate activities). Total overdue loans volume in 2016 also fell 11.2%, amounting to 3,631 million euros in 2016 (4,088 million euros in 2015), benefiting from the performance of overdue loans in the activity in Portugal which decreased 11.8%, (-444 million euros) versus the 3,772 million euros registered in the previous year.

Overdue loans associated with loans to companies continue to represent the largest component of the total overdue loans portfolio, representing 76.7% as at 31 December 2016, mainly concentrated in the service sector. The ratio of overdue loans to companies, measured by the ratio between overdue loans and loans granted to companies, increased to 11.8%, compared to 12.5% registered at the end of 2015, reflecting the contraction in loans to companies held in the portfolio and the decrease in the amounts deemed due. As at 31 December 2016, overdue loans associated with loans to companies showed a level of coverage of 106.0% (2015: 84.7%) by the impairment in the balance sheet.

For loans granted to individuals, overdue consumer and mortgage loans represented 14.8% and 8.5%, respectively, of the total overdue loans portfolio, with the ratio of overdue consumer credit to total consumer credit improving to 13.3% (14.9% at the end of 2015), while the ratio of overdue mortgage loans remained stable versus the previous year, to stand at 1.3% as at 31 December 2016.

(Million euros)

OVERDUE LOANS AND IMPAIRMENTS AS AT 31 DECEMBER 2016

	Overdue loans	Impairment for loan losses	Overdue loans/ Total loans(*)	Coverage ratio
INDIVIDUALS				
Mortgage loans	308	316	1.3%	102.5%
Consumer credit	539	474	13.3%	87.9%
	847	790	3.0%	93.2%
COMPANIES				
Services	1,032	1,512	11.3%	146.5%
Commerce	274	220	8.6%	80.3%
Construction	826	614	28.9%	74.4%
Other	652	605	7.6%	92.8%
	2,784	2,951	11.8%	106.0%
CONSOLIDATED				
Individuals	847	790	3.0%	93.2%
Companies	2,784	2,951	11.8%	106.0%
TOTAL	3,631	3,741	7.0%	103.0%

(*) Before loans impairment.

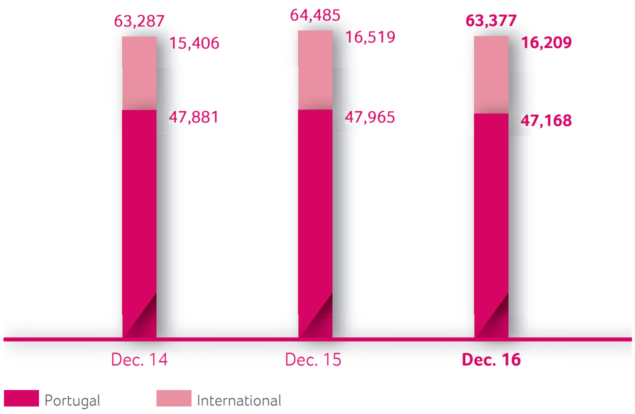
CUSTOMER FUNDS

In 2016 and in terms of the overall financial system, and the banking system in particular, there has been notable progress in the structural position of liquidity of Portuguese banks, evidenced by the performance of the commercial gap – translated in the resilient performance of deposits accompanied by a contraction of credit in all segments of the resident private sector, with the exception of loans to individuals for consumption and other purposes, and also the contribution given by the unfavourable foreign exchange variations in international activity.

Concerning the portfolio of financial assets of individuals, 2016 continued to see the trend for the execution of transactions conducting to a potential increase of the weight of off-balance sheet funds with a higher potential return versus the low market interest rates and the optimization of the Bank's income structure, being also noteworthy the effects of the simultaneous investment in public debt, such as Obrigações do Tesouro de Rendimento Variável (OTRV), floating rate treasury bonds.

TOTAL CUSTOMERS FUNDS(*)

Million euros



(*) On a comparable basis: excludes the impact from discontinued operations.

(Million euros)

TOTAL CUSTOMER FUNDS

	2016	2015 (comparable)(3)	2014 (comparable)(3)	Chan. % 16/15
BALANCE SHEET CUSTOMER FUNDS				
Deposits	**48,798**	49,847	48,365	-2.1%
Debt securities(1)	**1,636**	2,311	2,776	-29.2%
	50,434	52,158	51,141	-3.3%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	**4,092**	3,812	3,583	7.3%
Capitalisation products(2)	**8,851**	8,514	8,563	4.0%
	12,943	12,327	12,146	5.0%
TOTAL CUSTOMER FUNDS	**63,377**	64,485	63,287	-1.7%
Discontinued operations(3)	**-**	1,692	2,920	-100.0%
TOTAL	**63,377**	66,176	66,207	-4.2%

(1) Included on the debt securites item.
(2) Includes Unit-linked and Retirement savings deposits.
(3) Includes the impact from discontinued operation of Milennium bcp Gestão de Activos (sold in May 2015). In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2014 and 2015 was re-presented, through the inclusion of the BMA customer funds in a line of discontinued operations.

Millennium bcp developed a commercial strategy focused on customer funds with the objective of contributing simultaneously to reduce the commercial gap and meeting the expectations of savings and investment requirements of the different Customer segments.

Total customer funds, excluding the impact of discontinued operations, decreased by 1.7%, reaching 63,377 million euros as at 31 December 2016, compared to 64,485 million euros registered at the same date of 2015.

On 31 December 2015, total customer funds amounted to 66,176 million euros, falling to 63,377 million euros (-4.2%) on 31 December 2016. This performance reflects the alteration introduced in the method for consolidating the activity in Angola (whose total customer funds stood at 1,692 million euros on 31 December 2015), and also the 798 million euros plunge registered by the activity in Portugal, namely due to the decrease in balance sheet customer funds, and by the international activity (-256 million euros), penalized by the depreciation of zloty and metical versus the euro. Excluding the foreign exchange effects, total customer funds in Poland and in Mozambique registered positive performance from 31 December 2015 to 31 December 2016 (+5.3% and +9.7% respectively).

In Portugal, total customer funds reached 47,168 million euros on 31 December 2016, in comparison with 47,965 million euros accounted on 31 December 2015 (-1.7%). This performance shows the rise of 384 million euros (+4.8%) and of 308 million euros (+10.7%) in capitalisation products and assets under management, when compared to 31 December 2015, favoured by the option for alternatives to the low interest rates of deposits and also the decrease of 793 million euros (-2.3%) and of 696 million euros (-31.1%) registered in deposits and repurchase agreements with customers and in debt securities, additionally affected by the large amounts invested in Portuguese public debt products, namely in OTRV (floating rate treasury bonds).

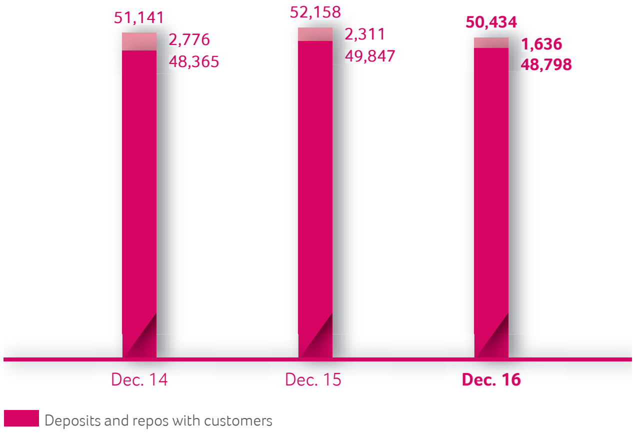
Total customer funds in the international activity, excluding the amount of 1,692 million euros related with the balance sheet customer funds of Banco Millennium Angola by the end of 2015, are conditioned by the depreciation of the zloty and of metical versus the euro, standing at 16,209 million euros on 31 December 2016, a 1.9% decrease when compared with the 16,519 million euros registered in the same period of 2015. In Local currency, total customer funds in Poland and Mozambique registered a positive performance between 31 December 2015 and 31 December 2016, of 5.3% (+725 million euros at the foreign exchange rate of the end of 2016) and 9.7% (+114 million euros at the foreign exchange rate of the end of 2016), respectively, and in both, supported by the growth in customer deposits.

Balance sheet customer funds, which comprise deposits and repurchase agreements with customers and debt securities, showed a 3.3% decrease, to reach 50,434 million euros as at 31 December 2016 (52,158 million euros at the end of 2015), reflecting the decrease in deposits and repurchase agreements with customers of 2.1% and in debt securities of 29.2%.

On 31 December 2016, balance sheet customer funds, on a comparable basis, represented 79.6% of total customer funds (2015: 80.9%), with deposits and repurchase agreements with customers representing 77.0% of total customer funds (2015: 77.3%).

BALANCE SHEET CUSTOMER FUNDS(*)

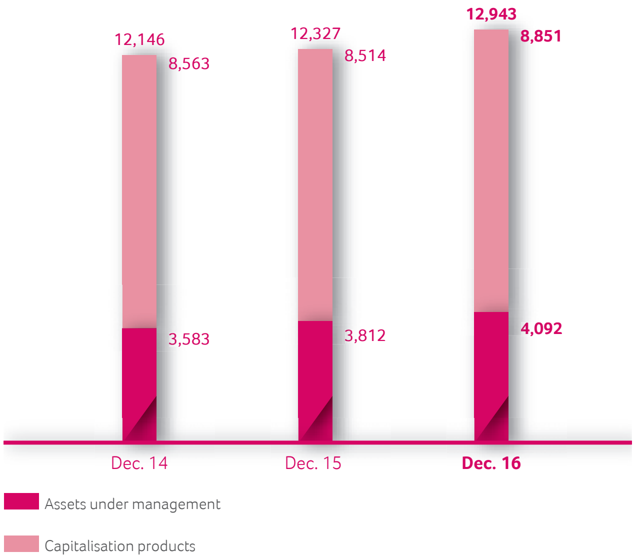
Million euros



(*) On a comparable basis: excludes the impact from discontinued operations.

OFF BALANCE SHEET CUSTOMERS FUNDS(*)

Million euros



(*) On a comparable basis: excludes the impact from discontinued operations.

Deposits and repurchase agreements with customers totalled 48,798 million euros as at 31 December 2016 (49,847 million euros at the end of 2015), driven both by the activity in Portugal (-2.3%) and by the international activity (-1.7%), excluding the effect of discontinued operations. In international activity, excluding the foreign exchange effects, customer deposits increased 5.1% (+710 million euros at the foreign exchange rate of the end of 2016) versus 31 December 2015, mainly supported by the performance of the subsidiary companies in Poland and in Mozambique.

Debt securities, comprising the Group's debt securities subscribed by customers amounted to 1,636 million euros on 31 December 2016, comparing with 2,311 million euros registered at the end of the previous financial year.

Off-balance customer funds, including the assets under management and capitalization products, increased by 5.0% between 31 December 2015 and 31 December 2016, reaching 12,943 million euros as at 31 December 2016, compared to 12,327 million euros registered as at the same date of 2015. This evolution benefited from the positive performance in assets under management (+7.3%) and capitalization products (+4.0%).

Assets under management, resulting from the provision of the individual and collective portfolio asset management services, increased to 4,092 million euros at the end of 2016, compared to 3,812 million euros as at 31 December 2015, having benefited from the positive performance registered in Portugal of +10.7% (+308 million euros), through the increased volume of the asset portfolios mainly acquired by the Private Banking network, despite figures of the international activity, especially Bank Millennium in Poland which fell 3.0% (-28 million euros).

The resources allocated to capitalization products including capitalization operations contracts, insurances linked to investment funds (unit-linked) and savings plans (PPR, PPE and PPR/E), stood at 8,851 million euros on 31 December 2016 (8,514 million euros by the end of 2015), influenced by the 4.8% increase (+384 million euros) in the activity in Portugal, with special relevance for insurance contracts linked to investment funds (unit-linked) and to retirement saving plans (PPR), versus the 6.7% fall in the production of Life insurances in Portugal in 2016 (Source: APS Segurdata).

The performance showed by the capitalization products in international activity showed a 9.6% fall (-47 million euros) in Bank Millennium in Poland on 31 December 2016, if compared with 31 December 2015. Excluding the foreign exchange effects, capitalization products fell 6.5% (-31 million euros).

(Million euros)

TOTAL CUSTOMER FUNDS

	2016	2015 (comparable)(1)	2014 (comparable)(1)	Chan. % 16/15
BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	**35,567**	37,056	37,081	-4.0%
International Activity	**14,867**	15,102	14,060	-1.6%
	50,434	52,158	51,141	-3.3%
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	**11,601**	10,909	10,800	6.3%
International Activity	**1,343**	1,417	1,346	-5.3%
	12,943	12,327	12,146	5.0%
TOTAL CUSTOMER FUNDS				
Activity in Portugal	**47,168**	47,965	47,881	-1.7%
International Activity	**16,209**	16,519	15,406	-1.9%
	63,377	64,485	63,287	-1.7%
Discontinued operations(1)	**-**	1,692	2,920	-100.0%
TOTAL	**63,377**	66,176	66,207	-4.2%

(1) Includes the impact from discontinued operation of Milennium bcp Gestão de Activos (sold in May 2015). In the context of the BMA merger with BPA, BMA was considered a discontinued operation in the first quarter of 2016 and, for comparative purposes, the information of December 2014 and 2015 was re-presented, through the inclusion of the BMA customer funds in a line of discontinued operations.

LOANS AND AMOUNTS OWED TO CREDIT INSTITUTIONS

The deposits owed to credit institutions and Central Banks, net of investments and deposits at other credit institutions, amounted to 8,433 million euros as at 31 December 2016 (6,893 million euros on the same date of 2015). This performance conveys 1,540 million euros increase in consolidated wholesale funding, mainly due to the reinforcement of both the portfolios of Portuguese public and private debt, already foreseen in the Liquidity Plan for 2016, mitigated by the decrease of the commercial gap and the reserved share capital increase operation by private placement and with subscription by Chiado (Luxembourg) S.à.r.l., an entity part of Group Fosun.

In net terms, the funding with the ECB in 2016 decreased 900 million euros since the end of 2015 (to a balance of 4,400 million euros), continuing the progressive decreasing trend seen since 2011.

The "Funding and Liquidity" section presents an analysis of the main lines of action and objectives of Millennium bcp regarding the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for possible refinancing operations, so as to guarantee the appropriate funding of the activity in the medium to long-term.

FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The portfolio of financial assets, with the exception of financial assets held to maturity, including (i) assets held for trading, (ii) other financial assets held for trading at fair value through profit or loss and (iii) financial assets available for sale, reached the total of 11,792 million euros as at 31 December 2016, compared to 12,120 million euros at the same date of 2015, representing 16.5% of total assets on 31 December 2016 and 16.2% on 31 December 2015. This performance mainly shows the decrease in variable yield securities of 391 million euros versus 31 December 2015 via participation units, notwithstanding the increase in fixed yield securities of 148 million euros in the same period. However, not considering the amount of 532 million euros on 31 December 2015, related with the portfolio of financial assets of Banco Millennium Angola, classified as a discontinued operation in 2016, the portfolio of financial assets would have stood at 11,588 million euros recording a 1.8% increase from 31 December 2015 to 31 December 2016.

The fixed yield securities portfolio reached the value of 9,730 million euros as at 31 December 2016 (9,582 million euros at the end of 2015), representing 82.5% of the total securities portfolio (79.1% in 2015). This portfolio is mainly composed of bonds of national and foreign public issuers which, as a whole, amounted to 6,867 million euros (5,987 million euros at the end of 2015), representing 70.6% (2015: 62.5%) of the portfolio of fixed yield securities and 58.2% (2015: 49.4%) of the total financial assets portfolios. In this portfolio structure, note should also be made of the performance of treasury bills and other public debt securities which reached 745 million euros on 31 December 2016 (compared to 1,215 million euros as at 31 December 2015), showing a decrease that was basically due to the impact of the public debt securities portfolio of Banco Millennium Angola in December 2015 (-512 million euros).

The variable yield securities portfolio decreased by 24.2%, from 1,617 million euros registered at the end of 2015 to 1,226 million euros as at 31 December 2016, showing the 18.7% reduction of the investment fund units portfolio, from 1,440 million euros to 1,170 million euros in the same period.

Trading derivatives, including the appreciation of embedded derivatives associated with the above mentioned portfolios (i), (ii) and (iii), totalled 849 million euros on 31 December 2016, an 8.2% decrease versus the 925 million euros registered on 31 December 2015, particularly the reduction registered in the options contracts portfolio.

(Million euros)

ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE AS AT 31 DECEMBER

	2016		2015		2014		Chan. % 16/15
	Amount	% in total	Amount	% in total	Amount	% in total	
FIXED INCOME SECURITIES							
Treasury Bills and other Government bonds	**745**	**6.3%**	1,215	10.0%	1,427	14.4%	-38.6%
Bonds issued by Government and public entities (Portuguese)	**3,469**	**29.4%**	2,984	24.6%	2,006	20.2%	16.3%
Bonds issued by Government and public entities (foreign issuers)	**3,398**	**28.8%**	3,003	24.8%	2,241	22.5%	13.2%
Bonds issued by other Portuguese entities	**1,306**	**11.1%**	1,160	9.6%	886	8.9%	12.6%
Bonds issued by other foreign entities	**811**	**6.9%**	1,220	10.1%	835	8.4%	-33.5%
	9,730	**82.5%**	9,582	79.1%	7,395	74.4%	1.5%
VARIABLE INCOME SECURITIES							
Shares and other variable income securities	**56**	**0.5%**	177	1.5%	125	1.3%	-68.3%
Investment fund units	**1,170**	**9.9%**	1,440	11.9%	1,340	13.5%	-18.7%
	1,226	**10.4%**	1,617	13.3%	1,465	14.7%	-24.2%
IMPAIRMENT FOR OVERDUE SECURITIES	**(13)**		(4)		(4)		-221.0%
TRADING DERIVATIVES	**849**	**7.2%**	925	7.6%	1,081	10.9%	-8.2%
TOTAL	**11,792**	**100.0%**	12,120	100.0%	9,937	100.0%	-2.7%

OTHER ASSET ELEMENTS

Other asset elements, which include assets with repurchase agreement, hedging derivatives, investments in associates, investment property, non-current assets held for sale, other tangible assets, goodwill and intangible assets, current and deferred tax assets, and other assets, represented 11.0% of total consolidated assets (9.0% at the end of 2015), standing at 7,865 million euros as at 31 December 2016, compared to 6,762 million euros registered as at 31 December 2015. The total of these headings, as at 31 December 2016, increased by 16.3% (+1.104 million euros) when compared with the same period of 2015, essentially explained by the increase of current and deferred tax assets (+597 million euros), of non-current assets held for sale (+485 million euros) and of investments in associates (+283 million euros), to a great extent supported by the increase following the merger of Banco Millennium Angola with Banco Privado Atlântico, which more than offset the 27.9% decrease in the balance of other tangible assets (-197 million euros) essentially related with transfers and perimeter alteration verified in the sub-item of real estate properties due to the above mentioned merger operation and goodwill and intangible assets (-49 million euros), namely the recording on 2016 of 41 million euros in impairment for the real estate promotion business and mortgage loans.

EQUITY

Equity, including non-controlling interests, totalled 5,265 million euros on 31 December 2016, comparing with 5,681 million euros at the end of 2015 (a reduction of 415 million euros). These figures were particularly induced by the actuarial losses after taxes registered in the period (-234 million euros), influenced by the alteration in actuarial assumptions notably the reduction of the discount rate, by the variation of reserves and retained earnings associated to interests they do not control (-174 million euros) translating the derecognition of Banco Millennium in Angola pursuant to the merger operation, by the variation in fair value reserves, especially by the recognition of potential losses associated with financial assets (-154 million euros),as well by the foreign exchange differences resulting from the consolidation of the Group's companies (-42 million euros), to a great extent related with the activity in Mozambique, and benefited from the net income registered in that period of time, attributable to the Bank's Shareholders (+24 million euros), and from the share capital increase by private placement of shares, net of taxes and expenses (+169 million euros).

Additional information and detail on the performance of equity is provided in the Consolidated Statements of Changes in Equity for the years ended at 31 December 2016 and 2015 of the Accounts and Notes to Consolidated Accounts for the financial year ended on 31 December 2016.

BUSINESS AREAS

ACTIVITY PER SEGMENTS

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

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

Business segment	Perimeter
RETAIL BANKING	Retail Network of Millennium bcp (Portugal) Retail Recovery Division ActivoBank
COMPANIES, CORPORATE & INVESTMENT BANKING	Companies Network of Millennium bcp (Portugal) Specialised Recovery Division Real Estate Business Division Interfundos Corporate and Large Corporates Networks of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Treasury and Markets International Division
PRIVATE BANKING	Private Banking Network of Millennium bcp (Portugal) Millennium Banque Privée (Switzerland)(*) Millennium bcp Bank & Trust (Cayman Islands)(*)
NON-CORE BUSINESS PORTFOLIO	In accordance with the criteria agreed with DG Comp(**)
FOREIGN BUSINESS	Bank Millennium (Poland) BIM – Banco Internacional de Moçambique Banco Millennium Atlântico(***) Millennium Banque Privée (Switzerland)(*) Millennium bcp Bank & Trust (Cayman Islands)(*)
OTHER	Includes all other business and unallocated values in particular centralized management of financial investments, corporate activities and insurance activity.

(*) For the purposes of business segments, Millennium Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands) are included in the Private Banking segment. In terms of geographic segments, both operations are considered Foreign Business.
(**) Loans Portfolios in Portugal to discontinue gradually under the commitments undertaken with the DG Comp.
(***) In the scope of the merger of Banco Millennium Angola with Banco Privado Atlântico, Banco Millennium Angola was consolidated as a discontinued operation in March 2016. After the conclusion of the merger, in May 2016, Banco Millennium Atlântico, the new entity resulting form the merger, started to consolidate by the equity method.
Note: As at December 2015, Millennium bcp Gestão de Ativos is considered discontinued operation.

The figures reported for each business segment resulted from aggregating the subsidiaries and business units integrated in each segment, also reflecting the impact from capital allocation and balancing process of each entity in the balance sheet and income statement, based on average figures. The balance sheet headings for each subsidiary and business unit were recalculated, taking into account the replacement of the equity book values by the amounts attributed through the allocation process, based on the regulatory solvency criteria.

Thus, as the process of capital allocation complies with the regulatory criteria of solvency in force, the risk weighted assets, and consequently the capital allocated to the business segments, are determined in accordance with the Basel III framework, pursuant to the CRD IV/CRR. The capital allocated to each segment resulted from the application of 10% to the risks managed by each segment, reflecting the application of the Basel III methodologies. Each operation is balanced through internal transfers of funds, impacting net interest income and income taxes of each segment, but with no impact on consolidated accounts.

The net income of each segment includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above. The information presented below was based on the financial statements prepared in accordance with the IFRS and organisation of the Group's business areas as at 31 December 2016.

RETAIL IN PORTUGAL

Net income achieved by Retail in 2016 stood at 100.4 million euros, comparing favourably with the 14.4 million euros recorded in 2015, influenced mainly by the increase in net interest income and by the decrease in impairment.

Net interest income went up from 302.1 million euros recorded in December 2015 to 391.4 million euros at the end of 2016, a 29.6% rise, which was mainly due to the sustained decrease in the rate of deposits.

The evolution recorded in terms of net profits, which fell from 362.7 million euros to 351.4 million euros between 31 December 2015 and 2016, incorporated the effect of the gains recorded by ActivoBank with the sale of Portuguese public debt in the first half of 2015 (42.9 million euros).

In 2016, operating costs went 1.5% down vs. 2015, reflecting the continuous implementation of the initiatives to capture savings that were set out in the Strategic Plan.

Impairments and other provisions stood at 113.1 million euros in 2016, comparing favourably with 149.7 million euros recorded in the previous year.

On 31 December 2016, loans to customers totalled 16,918 million euros, less than the 17,276 million euros registered on 31 December 2015, despite the Bank's development of a range of products and services meant to meet the financial needs of families and small businesses, while total customer funds amounted to 32,360 million euros by the end of 2016, which compare with 32,941 million euros recorded on 31 December 2015.

(Million euros)

RETAIL BANKING

	31 Dec. 16	31 Dec. 15	Chan. % 16/15
PROFIT AND LOSS ACCOUNT			
Net interest income	**391.4**	302.1	29.6%
Other net income	**351.4**	362.7	-3.1%
	742.8	664.8	11.7%
Operating costs	**489.3**	497.0	-1.5%
Impairment	**113.1**	149.7	-24.5%
NET (LOSS)/INCOME BEFORE INCOME TAX	**140.5**	18.1	>200%
Income taxes	**40.1**	3.7	>200%
NET INCOME	**100.4**	14.4	>200%
SUMMARY OF INDICATORS			
Allocated capital	**518**	549	-5.7%
Return on allocated capital	**19.4%**	2.6%	
Risk weighted assets	**4,906**	4,944	-0.8%
Cost-to-income ratio	**65.9%**	74.8%	
Loans to customers	**16,918**	17,276	-2.1%
Total customer funds	**32,360**	32,941	-1.8%

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

SEGMENTS

Mass-Market

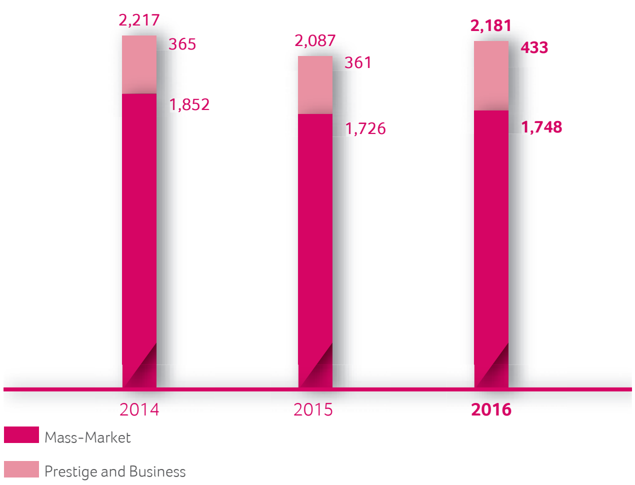
In the Mass-Market segment, commercial activity was based on three strategic lines: capturing new Customers, increasing the depth of the relationship for higher value subsegments and reinforcing the Customer assistance experience.

In terms of getting new Customers, we underline the campaign "Triple Salary Advantage" aiming to get Customers to get paid their salaries and pensions through their Millennium bcp account, the online campaign that awarded a smartphone to new accounts opened for the young segment and the "Member Get Member" campaign in effect since the 3rd quarter of 2016. These actions to capture new Customers were integrated into the Customer on-boarding actions available.

Regarding the branch network, the Bank decided to renovate the premises and completed 35% of Mass-Market branches and set up wi-fi for Customers at 100% of the branches.

NUMBER OF CUSTOMERS – RETAIL

Thousands



The Bank also put in place paperless banking processes in all branches for 80% of sales processes in effect. The Bank also attained the record number of one million Customers subscribing to e-Statements, a fundamental step towards digital transformation.

Integrated Solutions

In 2016, integrated solutions continued to be positioned as a strategic product to capture Customers, ensure their loyalty and maintain high satisfaction levels, reaching 1 million Customers.

This year also saw Integrated Solutions present at commercially important moments (account opening, salary transfer, Client recommendation, reopening renovated branches "Branch of the future"), on special dates (Mother's Day and Black Friday) and the strong increase in their attractiveness when available online.

Prestige and Residents Abroad

The main priorities in the Prestige segment consisted of the growth and renewal of the Customer base, simultaneously seeking to overcome expectations in the management of Customers' financial assets and to provide a Customer experience ever more digital and close to the Bank in any place.

We underline the following items and areas of performance:

- 32% increase in the Customer base, strengthening the Bank's position with the upper-middle class, with the following campaigns: Triple Salary Advantage aiming to get Clients and salaries and Member Get Member for obtaining references of relatives and friends of Customers;
- The application of new segmentation criteria enabled the Bank to renew the Prestige Customer base and to better meet the Customers' needs, with targeted products and services;
- The Bank launched the MTrader stock market app, which offers a single interface to trade and view real time stock quotes and research, aiming to provide Customers with online access to a trading room with different securities traded in the main stock exchanges of the world;
- Increase in the number of users of digital channels, revealing changes to the behaviour of the Prestige Customers, with 26% purely digital Clients and 31% regular users of digital channels, visiting a branch less frequently;
- Development of relationship marketing actions with Prestige Customers, namely, at the Millennium Estoril Tennis Open and the game experience with tennis player João Sousa, the VIP Power Shopping experience at the Freeport Fashion Outlet, or even the VIP invitations to the Algarve Classic Festival.

2016 was a year of growth and consolidation of the dynamics for gaining more Customers that reside abroad. The business plan was structured into three major challenges: Increase the Customer base; Increase transfers and flow retention; Increase depth of relationship and profitability.

Below are the main initiatives undertaken in 2016, which enabled the Bank to strengthen its leadership as a bank of reference in Portugal in this Customer segment:

- 40% increase of the Customer base year on year, based on the campaigns "Portugal é a Nossa Praia" and "Member Get Member". We continued to bet on the Millennium summer festivals, which in 2016 had over 8 thousand Clients attending;
- Increase of 10.5% in Millennium bcp transfers, with the Bank focusing on permanent actions for stimulating regular transfers for investing, especially the campaigns "With One Click my Savings are in Portugal" and "Christmas Transfer, Invest and Visit Portugal". Increase in transfers from Angola, Brazil and France with volumes above 5% and 17% increase of the Prestige Customer base that makes transfers;
- Deepening the Customer relation and increasing profitability by ensuring consistency of the commercial proposals made to the market.

Business

The Bank continued to support the Portuguese companies in this segment with simple solutions for their daily activities, simultaneously ensuring the necessary funding for the development of their projects.

We underline the following items and areas of performance:

- In the medium and long-term funding, the Bank supported companies within the scope of the Portugal 2020 Programme, in both the application stage and in the project execution, with specific credit lines for interim support or to support capitals outside investment projects and by providing the M2020 app to help companies execute the projects and monitor the EU funds;
- Promotion of the credit lines PME Crescimento 2015 and increased interaction with Mutual Guarantee Societies, signing new protocols, namely with the European Investment Fund (EIF), using the EIF Innovation credit facility to help innovative companies make new investments, or with Turismo de Portugal through the credit facility for the qualification of the offer;
- In short-term funding there was a significant increase in support to sales with the Factoring and Confirming (Reverse Factoring) products, which more than doubled in 2016 and for companies with business abroad, 10% increase in the number of companies that started using our Trade Finance services;
- The Programme Empresa Aplauso 2016 continued to praise companies with good risk and a greater involvement with the Bank through the attribution of a set of financial and non-financial benefits;
- We reached 60 thousand integrated solutions "Business Frequent Client", allowing companies to benefit from, among other advantages, SEPA transfers issued and received online free of charge.

Microcredit

Millennnium bcp continues to reinforce its commitment to Microcredit activity in the Portuguese market, with its value proposition still being recognised as an alternative for the funding, encouragement and enablement of entrepreneurial action, comprising an effective instrument in the combat of unemployment, poverty and social exclusion.

In 2016, the institutional dissemination of this credit model, which incorporates Millennium bcp's Corporate Social Responsibility policy, to entities operating locally and closest to the socially excluded segments of the population continued to be one of the strategic priorities of Millennium bcp Microcredit. Deepening this policy of proximity, 40 new cooperation agreements for entrepreneurial action and simulation of access to microcredit were also concluded, 11 of which with City Councils.

Millennium bcp and the European Investment Fund signed a guarantee agreement, worth 18 million euros, aiming to support micro enterprises in Portugal under the EU Programme for Employment and Social Innovation (EaSI). Still in 2016, aiming to continue to acknowledge and reward the entrepreneurial spirit, creativity, innovation and dynamics of the Millennium bcp micro entrepreneurs, Millennium bcp held the 5th edition of Realizar - a Microcredit and Entrepreneurship Award.

As a result of the work developed in 2016, the Microcredit of Millennium bcp financed 333 new operations, totalling 3.3 million euros of credit granted and the creation of 564 new jobs. The volume of active credit granted to the 1,171 operations in the portfolio, up to 31 December 2016, totalled 7.8 million euros.

PRODUCTS

Customer funds

O2016 saw the fall in the interest rates of products focused on the capture of funds, and Millennium bcp put in place a commercial strategy targeting the reduction of the cost of the liability products, while maintaining the focus on the retention of customer funds.

Continuing the process of diversification of the financial assets of Clients and considering the historically low interest rates, the Retail Network continued to promote diversified investment solutions. 2016 also featured the consolidation of the offer of investment funds in Open Architecture at the Retail Network branches, with funds from the most prestigious international fund managing companies and also committed to design and sell retirement solutions that fit the needs of its Customers.

The Bank also participated in the organization, set up and distribution of the 2nd and 3rd series of Obrigações do Tesouro de Rendimento Variável (OTRV), floating rate treasury bonds.

Loans to Individuals

- Consumer Loans – The Bank provided Online Credit, an exclusively online product, based on a fully digital experience. The Bank developed several actions, namely special price conditions and targeted sales, which translated into an increase in consumer loans granted.
- Home loans – considering the bubbling market, the Bank continued to bet on different attributes, with great impact and visibility. The Bank also adjusted the offer to permanently provide relevant credit solutions that both Customers and potential Customers value. The focus remained on fixed rate mortgage loans.

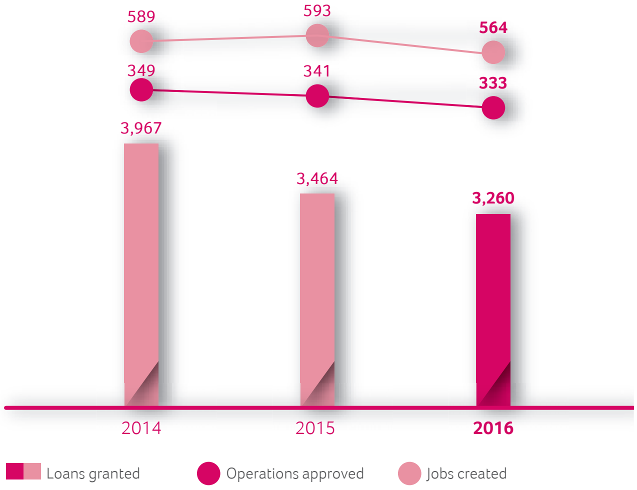
Cards and Instruments of Payments

Debit and credit cards recorded a significant increase in total invoicing, 6% up year on year. The number of payments made with credit and debit cards went up 10.6% and 10.5% respectively. Yet, in terms of amount invoiced, credit cards had a smaller increase, 4.4% against the 10.5% rise in debit cards.

In 2016, Millennium bcp officially sponsored the food events most visible in the Portuguese media, the Restaurant Week and The Fork Fest. Both events contributed to add value to the advantages associated to the Millennium bcp cards.

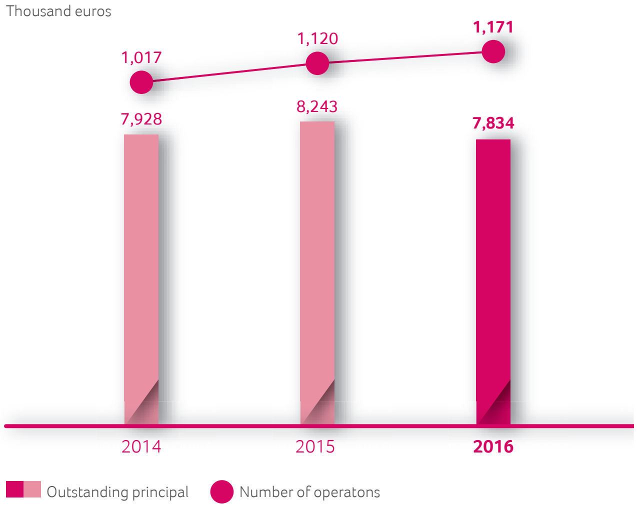
MICROCREDIT ACTIVITY

Thousand euros



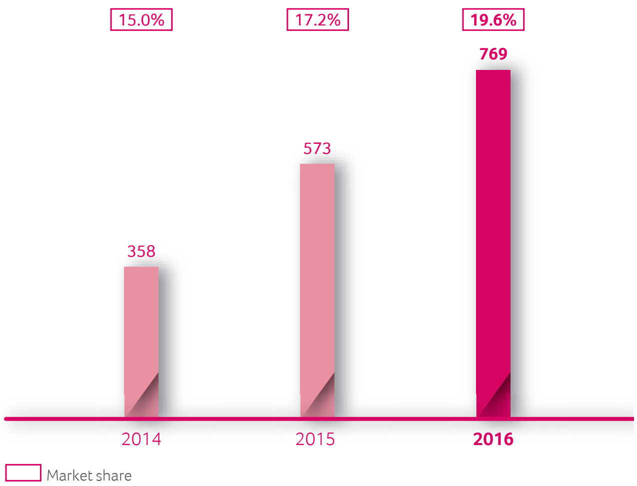
MICROCREDT LOAN PORTFOLIO

Thousand euros



MORTGAGE LOANS NEW PRODUCTION

Million euros



In April, American Express launched the 2% cash back for purchases up to 200 euros during the last weekend of every month for all the American Express card range for Individual Customers, and in March and November, Companies also started receiving the 2% cash back for the Twin Business cards, without a monthly limit, which greatly contributed to the cards being used more. American Express acquiring increased again counting with a network of businesses above 63 thousand, followed by an increase in invoicing.

In 2016, there was an increase in the security level of online shopping, with the implementation of secure purchases through 3DSecure, which contemplates the use of a single dynamic password for each transaction in websites that use the scheme.

One must underline the strong bet on selling point of sale terminals (POS), which resulted in a 16% increase of machines installed in small and medium sized businesses, surpassing 34,500 card readers. Priority was given to the renewal of the self-banking area of the branch network and to the modernisation of the Automated Teller Machines (ATMs).

Insurances

Risk insurances continued to sell well, and the contribution given by the sales network was fundamental for the various campaigns, such as "For Insurances go to Millennium bcp", which lead to cross-selling year-round with Individuals and Companies, granting greater discounts on new policies to Customers with the larger insurance portfolios with the Bank.

Working together with the Insurance Company Ocidental, 2016 also saw a strong bet on online sales, with the launching of the online simulation and subscription procedures for car insurances (Móbis), multi-risk home insurance (Homin), pet insurance (Pétis) and travel insurances, offering special conditions for this distribution channel.

ACTIVOBANK

During 2016, ActivoBank carried out its activities while seeking to grow the Customer base and their increased involvement with the Bank.

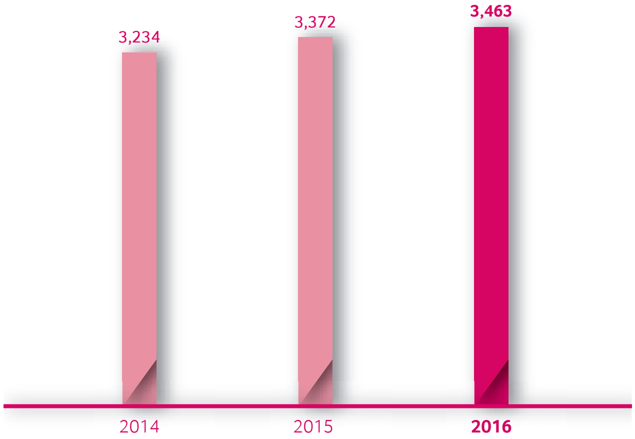
Aiming to capture Customers, ActivoBank launched institutional communication campaigns and campaigns for strengthening the value proposition, along with launching new products and services that set the difference. A communication campaign to capture Customers consisted of an innovative interactive video, representing an Activo Point on YouTube, promoting interaction. Besides the excellent results achieved, 795 thousand views, this video received several awards 2016. The second campaign, which began in July, was on TV in an innovative format that promoted the viewers interaction with the commercial and simultaneously advertised the advantages of being an Activo Customer.

The bank also launched new products and services to keep Customer loyalty, continued to perfect the model of binding and segmentation reinforcement, aimed at identifying and meeting the financial needs of Customers and promotion of the stock exchange trading platform.

In 2016, several initiatives were developed, amongst which we underline the following:

- Improving the pre-opening of the online account procedure;
- Developing new CRM pieces;
- Creating account opening and products landing pages;
- Providing Skype;
- Launching new products and services, binding and segmentation;
- Launching a new stock exchange trading platform, which grew based on the stock quote streamer;
- Brand activation actions during the summer, based on sports and life style, of which we highlight the sponsoring of the Cascais Triathlon and the support to the beach handball and rugby championships;
- Developing an online credit granting process that enables instant funding of the account.

TOTAL NUMBER OF CARDS
Thousands



The set of actions undertaken, together with the bet on innovation, contributed to close the year with 122 thousand Clients (+27%), over 135 thousand fans on Facebook, and to overcome one billion euros in assets under management.

COMPANIES, CORPORATE & INVESTMENT BANKING

Companies, Corporate & Investment Banking recorded a net loss of 143.1 million euros in 2016, compared to the net profits of 53.0 million euros of the previous year, caused mainly by the increase in impairment charges.

Net interest income recorded 276.8 million euros in 2016, down on 2015's figures of 318.2 million euros, which translated the impact of the smaller turnover and the decrease in credit interest rates.

2016 saw operating costs at 97.3 million euros, remaining practically unaltered compared to the 96.1 million euros recorded in 2015.

Impairment and other provisions increased to 538.0 million euros in 2016, compared to 315.8 million euros in 2015, on account of the additional effort that reinforced the respective coverage levels.

As at 31 December 2016, loans to customers totalled 10,934 million euros, down from 11,197 million euros in 2015, reflecting the still slight recovery of the Portuguese economy, in spite of the continued focus on offering solutions to support the business structure.

Total customer funds as at 31 December 2016 reached 10,339 million euros, less than the 10,815 million euros recorded on 31 December 2015, essentially due to the decrease in customer deposits, partly offset by the rise in off-balance sheet customer funds.

(Million euros)

COMPANIES, CORPORATE & INVESTMENT BANKING	31 Dec. 16	31 Dec. 15	Chan. % 16/15
PROFIT AND LOSS ACCOUNT			
Net interest income	**276.8**	318.2	-13.0%
Other net income	**153.7**	168.5	-8.7%
	430.5	486.7	-11.5%
Operating costs	**97.3**	96.1	1.3%
Impairment(*)	**538.0**	315.8	70.4%
NET (LOSS)/INCOME BEFORE INCOME TAX	**(204.7)**	74.8	<-200%
Income taxes	**(61.6)**	21.8	<-200%
NET INCOME	**(143.1)**	53.0	<-200%
SUMMARY OF INDICATORS			
Allocated capital	**753**	868	-13.2%
Return on allocated capital	**-19.0%**	6.1%	
Risk weighted assets	**7,441**	8,000	-7.0%
Cost-to-income ratio	**22.6%**	19.7%	
Loans to customers	**10,934**	11,197	-2.3%
Total customer funds	**10,339**	10,815	-4.4%

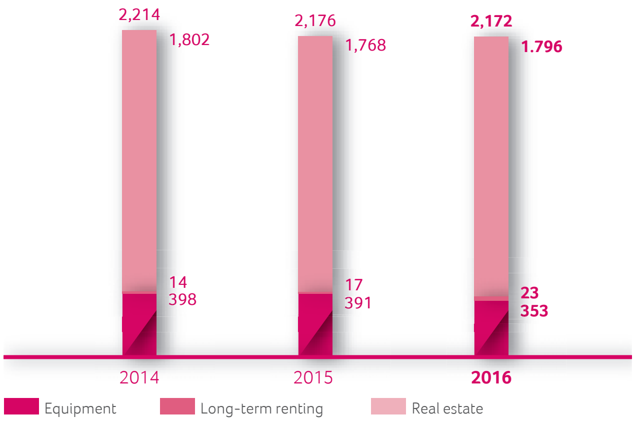
Notes: Customer funds and Loans to customers (net of recoveries) figures are on average monthly balances.
(*) Excluding the impact of impairment reallocation between Customers of the same economic group.

MILLENNIUM BCP COMPANIES NETWORK (PORTUGAL)

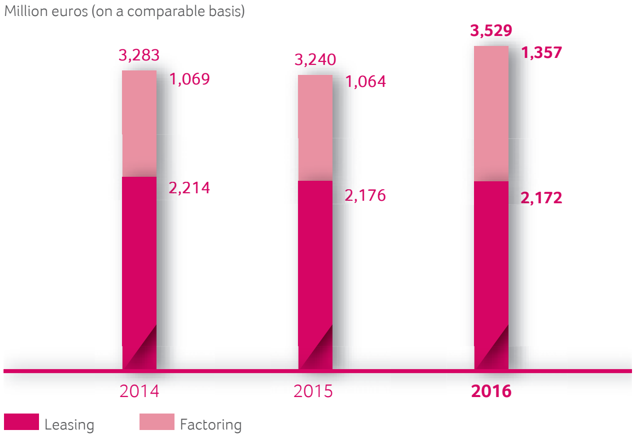
The actions of the Companies Network in the year under analysis included the achievement of the following objectives:

- Development and sale of credit solutions for companies, namely SMEs, for both day-to-day management and investment projects, underlining:
  - Credit facility with the European Investment Bank (EIB) for a new 70 million euros credit line for supporting start-ups and mid-caps, incentivising entrepreneurship;
  - Funding for over 700 companies using the credit lines funded by the European Investment Bank;
  - Funding for new operations within the scope of the Millennium EIF Innovation credit facility funded by the European Investment Fund, aiming to support innovative companies, with a 200 million euros cap;
  - New leasing agreements for the Companies Network attained close to 100 million euros.
- Maintenance of strategic focus on the protocol credit lines with the Portuguese State, namely in partnership with the Mutual Guarantee Societies, highlighting the 2,384 new operations within the scope of these credit lines and 230 million euros in funding from the PME Crescimento 2015 credit line and the launching of new generic or sectorial credit lines:
  - Credit Line with Mutual Guarantee, IFD 2016-2020 signed with Instituição Financeira de Desenvolvimento (IFD), the Portuguese financial institution for development, with a global endowment 1,000 million euros for financing SMEs investment projects targeting the development of new products and services, or even innovations in terms of processes, products, organisation or marketing;

LEASING PORTFOLIO
Million euros (on a comparable basis)



SPECIALISED CREDIT PORTFOLIO
Million euros (on a comparable basis)



– Credit line "Apoio à Qualificação da Oferta 2016" with Turismo de Portugal has a global cap of 60 million euros and funds projects for the requalification of existing tourism undertakings and the creation of tourism undertakings that set themselves apart from the existing offer;
– Credit Line for agriculture and forestry related activities together with IFAP, having available a 300 million euros endowment to fund projects approved within the scope of FEAGA and FEADER programmes;
– Credit Line for dairy and pig farmers together with IFAP, having available a 50 million euros endowment to fund treasury costs or investment in the activity pursued.

- Support to projects approved within the scope of the Portugal 2020 Programme, especially the "Millennium 2020" solution, having funded 565 projects with approved loans totalling over 250 million euros, launching the M2020 App, an innovative digital solution that enables monitoring the execution of approved projects and the clarification sessions about Portugal 2020:
  – "Portugal 2020 Companies Forum" organized together with Companies Associations, with sessions in Lisbon, Porto, Coimbra, Leiria, Algarve, Braga and Torres Novas, which enabled businessmen to meet and share their experience and for management entities to present the best practices regarding the projects;
  – "Portugal 2020 Meetings", with sessions in the 18 districts of mainland Portugal, which brought the Bank closer to companies that are Clients and potential Clients.
- Support to the treasury management of companies, with emphasis on:
  – Launch of "Easy Confirming", a reverse factoring product to support companies' suppliers, with simple and agile operative, ensuring payment to suppliers and enabling meeting extraordinary liquidity shortages;
  – Broadening the domestic factoring product range with credit insurances;
  – Implementation of a new product specialist model, acting directly with Customers and Commercial Networks, enabling better service levels and a more efficient process;
  – In comparison with the same period last year, the factoring and confirming (reverse factoring) areas surged 33% and 45%, respectively, in terms of invoice financed and credit balance.
- The Bank continued to put great effort into supporting companies to go international, underlining the Bank's position as Bank for exporting companies, by holding and participating in events and training sessions throughout the year (participation in the six sessions of the Road show Portugal Global AICEP, EuroFinance, Sisab and Roteiros Millennium Exportação) and by rethinking the solutions presented to our Customers:
  – Introduction of new functions to the portal "millenniumbcp.pt/empresas", namely for opening documentary operations using digital Signature (SAFe);
  – Development of specific products for new locations;
  – Providing Export International Factoring with Credit Insurance.
- Trade Finance recorded, in 2016 and for the Companies Network, a year-on-year growth of 2.7% in terms of new operations executed and 4.3% in Customers using this solution.
- Promotion of the Bank's position and Customer relation through events for Companies, of which we highlight the "Jornadas Millennium Empresas" at Beja, Lisbon, Madeira and São João da Madeira.

REAL ESTATE BUSINESS

The Real Estate Business Division continued to focus its activities on the close follow-up of Customers and projects, anticipating needs and developing recovery and restructuring solutions in order to reduce risk and improve the contribution to the results of the Bank, having cut back around 22% on exposure and about 60% on associated past due loans. In what regards real estate properties, it ensured the sustainability of the assets by decreasing expected losses, selling and closing the sale as soon as possible, so as to maintain balance between both sides – increasing sales while maximising the sale price. We also highlight the following actions:

- Commercial follow up of the real estate promotion Customers framing all stages of their life;
- Incentive of the sales programme M Imóveis to include Customers' undertakings, creating conditions to sell financed projects;
- The diagnosis, restructuring and valuation models continued to be developed as well as new opportunities to place credits;
- Searching and developing new markets by attending roadshows in France, international seminars and international fairs, both in Portugal and abroad (Portugal Real Estate Summit, Paris, Beijing and Madrid);
- Receiving several committees of business men and international investors in Portugal.
- Campaigns, regional and nationwide, and promotions for each asset segment exclusively for the M imóveis website;
- Increasing our sales presence in the markets where we own products and increasing the knowledge and specificity of each market and of the mediators partnering with the Bank, so as to find new ways to sell and focus on the Bank's assets;

- Settlement, repositioning and conclusion of the properties, aiming to enable and speed up the sale process and to decrease the length of time the assets are owned by the Bank;
- The diagnosis, restructuring and valuation models continued to be developed as well as new channels to place assets.

INTERFUNDOS

The Managing Company proceeded with its strategy to reinforce the continuity and financial stability of the Organismos de Investimento Imobiliário (OII), undertakings for investment in real estate, and to create liquidity conditions for the participants, having undertaken several initiatives for that purpose:

- Global sales reached 100 million euros, corresponding to 268 real estate properties in total;
- The duration of thirteen OII was extended (Imopromoção, Multiusos Oriente, Imorenda, Fundial, Oceanico II, DP Invest, Imotur, Inogi Capital, Fimmo, Fimobes, Oceanico, Património and Imoal);
- Interfundos carried out four capital increases (OII Oceanico III, OII Imosotto, OII Grand Urban and OII Oceanico II) and five capital decreases (OII Eminvest, OII Funsita, OII Imoport, OII Gestimo and OII Predicaima);
- It took over the management of one OII (Predicaima) and liquidated tow OII (Villafundo and Olimo);
- Attribution of the project management and supervision for the excavation, retaining wall and internal structure, contract for technical engineering and architecture drawings and obtaining the approval of the licence for housing lots of the Contract for the Urban Rehabilitation of the D. João I block.

By the end of 2016, the volume of assets of the 39 OIIs under management by Interfundos totalled 1.3 billion euros.

MILLENNIUM BCP CORPORATE AND LARGE CORPORATE SEGMENT (PORTUGAL)

The main initiatives undertaken in 2016 included:

- Reinforcing the visits to Customers, giving preference to the use of functionalities in the Commercial GPS, an application supporting the commercial activity, enabling the identification and pursuit of business opportunities, in the various business areas, financing, treasury, investment and internationalisation;
- Development of tailor made solutions adjusted to the different needs of companies, namely funding of productive activity, products associated to transactions management, namely for payments and collections, and treasury management;
- Working together with the Investment Banking Division, namely origination areas, and the International Division to create specific solutions for direct funding to the operation or for new investments, divesting of non-core areas, exporting to international markets with greater growth potential, resizing strategies or diversification to new complementary business areas;
- Support to companies growth strategies, namely funding investment projects approved within the scope of the Portugal 2020 Programme, from a standpoint of increasing competitiveness in the Portuguese economy, with global solutions for funding projects from the application stage until the final execution of the projects, improving the reception of incentives approved and creation of the 2020 App, an innovative digital application that allows companies to monitor, daily and permanently, the execution of the projects as approved;
- Enhancement of the digital potential of the internet portal, a crucial element in retaining loyalty and reinforcing the relationship with Customers, enabling a better use of these functionalities and a better liaison with the companies' systems.

INVESTMENT BANKING

Having recorded an increase in fees to 51.7 million euros, *vs.* 2015, in 2016 Millennium bcp investment banking continued to develop its activity of supporting the growth of companies and the development of the economies in the regions where it operates.

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

Still in terms of origination, we underline the strategic initiatives to reinforce the cooperation with other networks of the Bank, closer to Clients and deepening the networking with international institutional investors and with strategic partners in the markets it covers, with the execution, still in 2016, of some transactions which had rather expressive results.

The effort made in the execution of mandates was developed through the product areas of corporate finance, project finance, structured finance and capital markets.

Corporate finance

Millennium bcp investment banking undertook a strong activity in terms of financial advisory services, especially advisory services for M&A operations, namely involving international investors from the tourism industry in Portugal, as well as many evaluations of companies, corporate restructuring and reorganization processes, and participation in cross-border transactions. One must also highlight the co-leadership of the international sale of EDP Gás and Ascendi.

Project Finance

Continuing its effort to expand the activity and besides closely managing the outstanding portfolio, which allowed it to record significant earnings, the project finance area developed, together with the international origination area, debt structuring and distribution to institutional investors. In Portugal, it is also important to mention the provision of advisory services to a set of operations involving the energy sector and to a road infrastructure concessionaire for the renegotiation of a concession contract.

Structured finance

The structured finance area was very active in 2016, analysing, structuring, negotiating and setting up new funding operations in Portugal (recreation, construction, energy, industry, distribution, transportation, cement, and other), Angola (energy, engineering, health and agrobusines) and Mozambique (food, construction, engineering and public sector), as well as several restructuring operations for large companies and economic groups in Portugal.

Capital markets

With a strong presence of the Millennium bcp investment banking as bonds issuer, for both retail and institutional investors, we underline the participation in the placement of Floating Rate Treasury Bonds by the State, the setup of the issues for Saudaçor, of the Autonomous Regions of Azores and Madeira, Secil, besides the joint leadership of issues from recurring market issuers such as EDP and Brisa. Regarding issues of securitised debt, the year was also marked by the increase in funding operations, with an impact on the contracting of 67 new Commercial Paper Programmes. The increase in disintermediation was also noteworthy, being achieved in cooperation with the international/institutional origination area, by promoting the interest of international investors in debt operations.

Mota Engil & ES Concessões

Financial Advisor
Sale of Ascendi Group assets to Ardian

2016

Millennium investment banking

Fund Raising

Financial Advisor
Project Finance

2014-2016

Millennium investment banking

Syndicated Loan

USD 220 million

Financial Advisor and Mandated Lead Arranger

2016

Millennium investment banking

1.125% Notes due 2024
€1 billion
2.625% Notes due 2026
€600 million

Joint Lead Manager

2016

Millennium investment banking

JV Engie (ex-GDF Suez) and Marubeni

Financial Advisor

Sale of 42.5% of Generg SGPS (763 MWs) to Lusenerg

2016

Millennium investment banking

Undisclosed

Acquisition structuring of hotels portfolio in Portugal

Exclusive Financial Advisor

2016

Millennium investment banking

Notes due 2025

€ 165 million

Joint Lead Manager

2016

Millennium investment banking

Financial Advisory
Asset Swap

Inapa Suíça/Papyrus France

2016

Millennium investment banking

NEF Invest e Gest Part. Soc.

MBO over
CETA and Britanor

Financial Advisor

2016

Millennium investment banking

Governo dos Açores

Azores Autonomous Region

Notes due 2023

€ 105 million

Joint Lead Manager

2016

Millennium investment banking

CUF

Financial
Advisor

2016

Millennium investment banking

Companhia Energética de Petrolina

Comp. Energética de Petrolina
Acquisition of renewable
energy portfolio to Engie Brasil

$R 392 Milhões

Financial Advisor

2016

Millennium investment banking

edp

Financial
Advisor

2016

Millennium investment banking

Brisa

2% Notes due 2026

€300 million

Joint Lead Manager

2016

Millennium investment banking

trustenergy

JV Engie (ex-GDF Suez)
and Marubeni

Financial Advisory

Aquisition of 100% of Generg
Expansão (274.5 MWs)

2016

Millennium investment banking

IGCP
Agência de Gestão da Tesouraria
e da Dívida Pública

Floating Rate Government
Notes due 2021
Public Offer

€ 1.2 billion/August
€ 1.5 billion/November

Joint Lead Manager

2016

Millennium investment banking

SAUDAÇOR

Notes due 2021

€ 75 million

Lead Manager

2016

Millennium investment banking

SONAE INDUSTRIA

Paper

€ 175 million

Joint Lead Manager

2016

Millennium investment banking

Semapa

Commercial Paper

€ 75 million

Lead Manager

2016

Millennium investment banking

BENFICASAD

Notes Public Offer

€ 50 million

Joint Lead Manager

2016

Millennium investment banking

INTERNATIONAL

The Bank continued to work on the consolidation of international partnerships within a context of continuous changes, namely to regulatory requirements and market conditions, which impact on the correspondence relationships.

The creation of value for the different Stakeholders, especially Customers and counterparties, was achieved through the continuous perfecting and customization of the product range, to keep it competitive and compliant, from transactional services, trade finance or custody, backed up by a network of over one thousand correspondent banks that cover all countries relevant to the Portuguese economy, to a set of agreements with multi-lateral entities.

We especially highlight:

- The participation in the yearly meetings with multilateral entities of which Portugal is a member, promoting and identifying cooperation opportunities;
- Within the scope of the cooperation with the European Investment Bank (EIB), Millenniumbcp signed agreements for operations amounting to 320 million euros with the goal of supporting the funding of Portuguese companies and opened the negotiation of new credit lines;
- The relationship with the European Investment Fund (EIF) was reinforced and a guarantee was negotiated for a total microcredit portfolio of around 18 million euros. The Bank is the first European Bank to have such a guarantee for five years. On 2016, an additional 5 million euros loan to support micro-leasing was also disbursed;
- In terms of custody, we also reinforced the services as depositary bank for risk capital funds and the offer in terms of securities escrow accounts;
- Also in terms of institutional custody, a new European settlement system (T2S) was successfully put in place in the domestic market, which will translate into greater harmony and efficiency for all operators;
- Possibility of choosing Chinese currency (renminbi or yuan) in international payments service;
- Increase in service agreements for representation in payment systems.

PRIVATE BANKING

In what regards the geographic segments, Private Banking reached 21.2 million euros in net income, comparing favourably with the 17.4 million euros recorded in 2015, influenced by the increase in net interest income and, to a lesser extent, by the decrease in impairment and operating costs.

In 2016, net interest income stood at 14.6 million euros, up from the 9.7 million euros recorded in 2015, mainly due to the sustained decrease in the deposits' rate.

Other net income totalled 31.0 million euros in 2016, which compares with 32.6 million euros in the previous year.

In 2016, operating costs amounted to 15.4 million euros, down by 5.8% in relation to the figures recorded in 2015. This decrease reflects the initiatives that continue to be undertaken to capture savings, as set out in the Strategic Plan.

On 31 December 2016, loans to customers stood at 172 million euros, under the amount estimated on 31 December 2015, 214 million euros.

Total customer funds amounted to 5,475 million euros as at 31 December 2016, having increased on a comparable basis by 3.7%, in relation to the value recognised as at 31 December 2015, due to the performance of assets under management.

(Million euros)

PRIVATE BANKING	31 Dec. 16	31 Dec. 15	Chan. % 16/15
PROFIT AND LOSS ACCOUNT			
Net interest income	**14.6**	9.7	51.8%
Other net income	**31.0**	32.6	-5.0%
	45.6	42.3	8.0%
Operating costs	**15.4**	16.3	-5.8%
Impairment	**0.2**	1.2	-80.6%
NET (LOSS)/INCOME BEFORE INCOME TAX	**30.0**	24.7	21.5%
Income taxes	**8.9**	7.3	21.4%
NET INCOME	**21.2**	17.4	21.5%
SUMMARY OF INDICATORS			
Allocated capital	**10**	12	-17.0%
Return on allocated capital	**206.5%**	141.0%	
Risk weighted assets	**102**	99	2.5%
Cost-to-income ratio	**33.7%**	38.6%	
Loans to customers	**172**	214	-19.7%
Total customer funds	**5,475**	5,277	3.7%

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

MILLENNIUM BCP PRIVATE BANKING NETWORK (PORTUGAL)

The activity of the Private Banking Network in 2016 was guided by the following strategic priorities:

- To broaden the Advisory Model to encompass the eligible Customer base, in close cooperation between the Private Banker and the Investment Specialists;
- Fine tuning the Customer segmentation model, with the goal of strengthening the contact policy set for each segment;
- Stronger event policy, based on new partnerships achieved.

The objectives set out for 2016 aimed to:

- Generate sustainable profitability to meet financial and commercial commitments within an ever more complex environment;
- Focusing on capturing funds;
- Stronger leadership in terms of Private Banking in Portugal, recognized by the award "The Best Private Banking in Portugal" granted by the magazines The Banker and Professional Wealth Management (Financial Times Group), which acknowledges that factors such as strength, effectiveness and personal assistance are paramount to the Bank's success with Customers.

The main initiatives undertaken in 2016 included:

- Capturing new Clients, aiming to refresh the Client base and increase resources;
- Readjusting the incentives system, providing an incentive distribution that matches the performances of the sales teams and investment specialists;
- Promoting cross selling, putting in motion sales actions that had an impact on fees recorded.

FOREIGN BUSINESS

Net income of Foreign Business, according to the geographic segments, stood at 281.8 million euros in 2016, compared to the value of 283.3 million euros in 2015. This performance takes into consideration, under discontinued operations, total net income of Banco Millennium Angola in 2015 (75.7 million euros) and the amount corresponding to the first four months of 2016 (36.8 million euros). The year of 2016, also includes 13.3 million euros related to eight months of equity accounted earnings with Millennium bcp's shareholding in Banco Millennium Atlântico.

The performance of Foreign Business was mainly carried by the decrease in operating costs, the increase in net interest income and the smaller impairment amount, and one must mention that earnings were influenced by the recording by the subsidiary company in Poland of a gain with the purchase of Visa Europe by Visa Inc., which was more than offset by the negative impact of the depreciation of the zloty and of the metical against the euro and by the rise in mandatory contributions in Poland. Net earnings from Foreign Business, excluding the impact introduced by foreign exchange effects, would have been up 20.1%.

In 2016, the net interest income amounted to 477.3 million euros, 4.7% higher than the figures recorded in 2015. Excluding foreign exchange effects, the increase would have been 22.6%, mainly translating the contributions given by Bank Millennium in Poland and Banco Internacional de Moçambique.

Operating costs amounted to 341.7 million euros in 2016, down by 8.5% in relation to the figures recorded in 2015. This evolution was due to the contribution given by all the operations abroad, with the decrease in Mozambique being noteworthy. Excluding foreign exchange effects, operating costs would have risen 5.9%, mainly led by the operation in Mozambique.

Impairments and other provisions stood at 82.1 million euros in 2016, which compares favourably with the 95.4 million euros recorded in the previous year. In all countries, except for Switzerland, impairment was down in comparison to 2015. Excluding exchange rate effects, impairment figures increased 0.5%, mainly reflecting Mozambique's performance.

On 31 December 2016, loans to customers stood at 12,003 million euros, less than the amount estimated on 31 December 2015, 12,418 million euros. Excluding exchange rate effects, gross loans rose 3.0%, supported on the increase observed in loans to companies. This evolution was essentially due to the performance achieved by the subsidiary in Mozambique and loans to individuals by the subsidiary in Poland.

Total customer funds from Foreign Business reached 16,209 million euros on 31 December 2016, less than the 16,519 million euros recorded on 31 December 2015, conditioned by the effect of the depreciation of the zloty and of the metical. Excluding exchange rate effects, total customer funds increased 4.6% *vs.* 31 December 2015, due to the 5.1% rise in customers' deposits, especially in Poland.

(Million euros)

FOREIGN BUSINESS

	31 Dec. 16	31 Dec. 15 (re-presented)	Chan. % 16/15
PROFIT AND LOSS ACCOUNT			
Net interest income	**477.3**	456.0	4.7%
Other net income(*)	**276.5**	272.6	1.4%
of which: equity accounted earnings from BMA(*)	**13.3**	0.0	
	753.9	728.6	3.5%
Operating costs	**341.7**	373.3	-8.5%
Impairment	**82.1**	95.4	-13.9%
NET (LOSS)/INCOME BEFORE INCOME TAX	**330.0**	259.9	27.0%
Income taxes	**85.1**	52.4	62.5%
NET (LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	**245.0**	207.6	18.0%
Net (loss)/income from discontinued operations(**)	**36.8**	75.7	-41.7%
NET (LOSS)/INCOME	**281.8**	283.3	-0.5%
SUMMARY OF INDICATORS			
Allocated capital	**1,233**	1,363	-9.5%
Return on allocated capital	**22.8%**	20.8%	
Risk weighted assets	**10,634**	13,396	-0.5%
Cost-to-income ratio	**45.3%**	51.2%	
Loans to customers(***)	**12,003**	12,418	-3.3%
Total customer funds(***)	**16,209**	16,519	-1.9%

(*) in December 2016 includes 13.3 million euros from eight months of equity accounted earnings related to the investment in Banco Millennium Atlântico, the new merged entity resulted from the merger process of Banco Millennium Angola with Banco Privado Atlântico in May 2016.
(**) Corresponds to total net income from Banco Millennium Angola (2015 and the first four years of 2016).
(***) On comparable basis. Does not include Banco Millennium Angola figures in 2015.

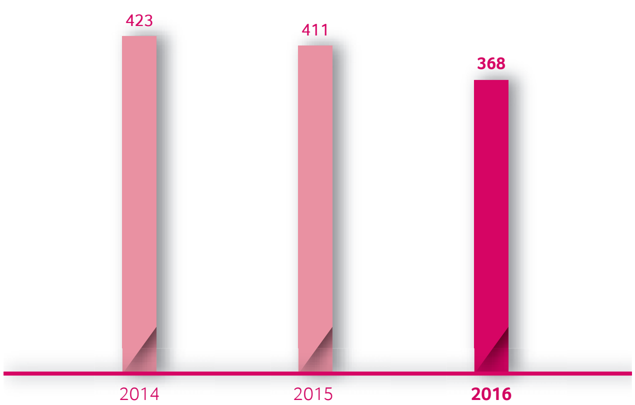
EUROPEAN OPERATIONS

Poland

During 2016, Bank Millennium continued to implement its strategic plan for 2015-17, keeping the general path but introducing some adjustments as a result of tax and regulatory amendments. The main medium-term goals are centred on the protection and recovery of profitability, which suffered the negative impact of the new bank contribution, but also include:

- Reaching 1.6 million active Retail Customers;
- Increasing the market share in terms of customer funds to more than 6%;
- Keeping the cost-to-income ratio between 45-47%;
- Keeping the loans-to-deposits ratio under 95%.

NUMBER OF BRANCHES
Units



The main initiatives to materialize the strategic plan aim to improve profits by focusing simultaneously on profits and costs, for the Retail and Companies segments, based on four pillars:

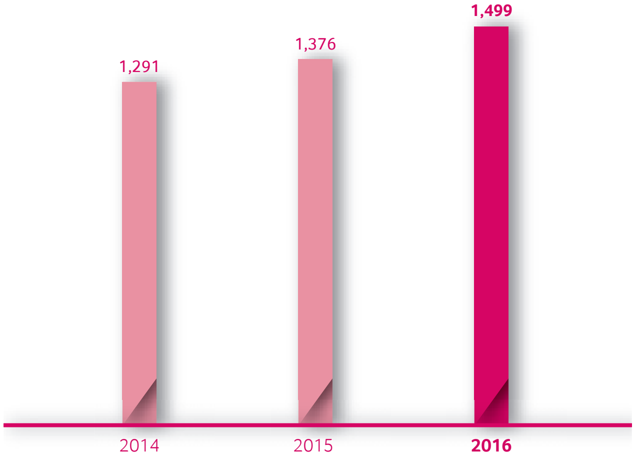
- Acceleration of the acquisition of Retail Customers through the Digital channels, assessing the added marginal earnings per Customer, while maintaining the focus on products with a higher margin in order to maintain the profitability of the segment;
- Maximise the Customer's value and to increase efficiency in the retention of Clients using advanced analytical methods;
- To keep the momentum in the Companies segment, maintaining profitability by focusing on the optimization of assets and creation of added value instead of credit growth, cutting down on risk costs and strengthening the Bank's position in specialised financing;
- Keeping strict cost control and operational excellence, through a simplified digital operating model, preparing the IT platform for the future.

The Bank Millennium Group had record profits of 701 million zlotys in 2016 (160 million euros), which represented an increase of 28% on the previous year. These earnings include the positive impact of the Visa transaction that benefited the Bank as member of Visa Europe Ltd. Besides the profits of this transaction, core income was up 6%, more than compensating the 2% increase in operating costs. Net interest income was up 10%, benefiting from the increase in volume and from the improved NIM. Cost-to-income ratio reached 45%. Even without the impact of extraordinary items, the cost-to-income ratio would have been under 50%.

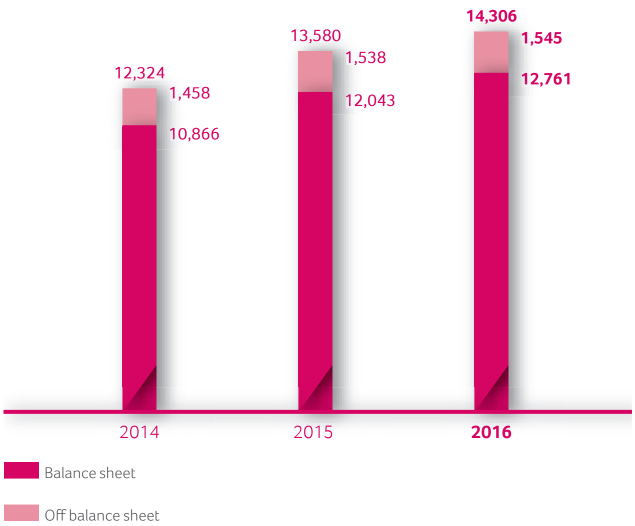
The record net income led to a 10.4% ROE, despite the record equity figures (1,574 million euros). ROE was impacted by the new bank contribution introduced in Poland in 2016 and by the policy of not paying dividends. Bank Millennium improved the capital ratios with the Total Capital Ratio at 17.4%, which constitutes a protection for capital requirements applicable to the Bank.

The Bank's sales performance also deserves to stand out, with the number of active Retail Customers up by 122 thousand, getting close to 1.5 million by the end of the year. This growth was monitored by the 11% growth in Retail deposits, which enabled it to attain the 5.8% market share. The Group also attained an 11% increase in consumer loans and sped up new mortgage loans which surged 30%, year-on year. In what regards the Companies segment, the main goal was to increase profitability: gross contribution jumped 31%, based on the smaller cost of risk. The implementation of the 2015-2017 strategy allowed Bank Millennium to consolidate its position as a technologically advanced bank and leader in quality, attaining most of its goals.

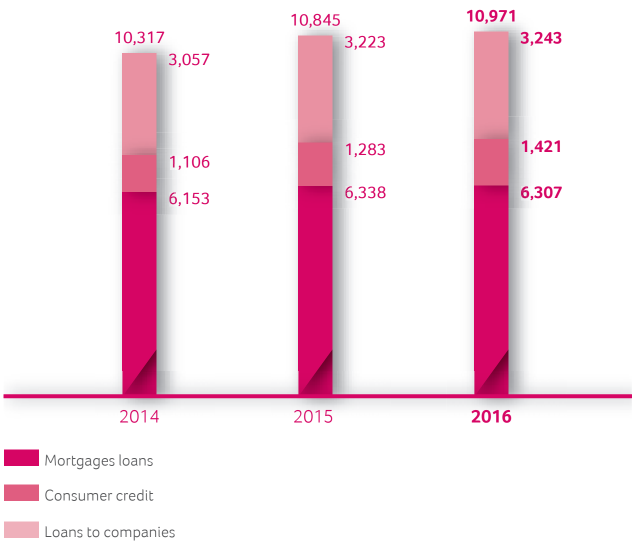
NUMBER OF CUSTOMERS
Thousands



TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



(Million euros)

BANK MILLENNIUM

	2016	2015	2014	Chan. % 16/15	2015	Chan. % 16/15
					Excluding FX effect	
Total assets	**15,598**	15,534	14,214	0.4%	15,018	3.9%
Loans to customers (gross)	**10,971**	11,218	10,648	-2.2%	10,845	1.2%
Loans to customers (net)	**10,661**	10,875	10,330	-2.0%	10,514	1.4%
Customer funds	**14,306**	14,047	12,719	1.8%	13,580	5.3%
Of which: on balance sheet	**12,761**	12,456	11,215	2.4%	12,043	6.0%
off balance sheet	**1,545**	1,591	1,504	-2.9%	1,538	0.5%
Shareholders' equity	**1,574**	1,511	1,349	4.2%	1,461	7.7%
Net interest income	**344.1**	326.5	346.8	5.4%	312.0	10.3%
Other net income	**220.5**	155.6	181.5	41.8%	148.7	48.3%
Operating costs	**254.2**	260.0	265.1	-2.2%	248.4	2.3%
Impairment and provisions	**52.8**	57.7	63.3	-8.4%	55.1	-4.2%
Net income	**160.3**	130.7	155.2	22.6%	124.9	28.3%
Number of Customers (thousands)	**1,499**	1,376	1,291	8.9%		
Employees (number)(*)	**5,844**	5,911	6,108	-1.1%		
Branches (number)	**368**	411	423	-10.5%		
Market capitalisation	**1,428**	1,582	2,356	-9.8%	1,529	-6.7%
% of share capital held	**50.1%**	50.1%	65.5%			

Note: the source of the information presented in this table was the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.
Source: Bank Millennium
FX rates:

Balance sheet 1 euro =	4.4103	4.2639	4.2732	zloties
Profit and Loss Account 1 euro =	4.3756	4.1817	4.1929	zloties

(*) Number of Employees according to Full-Time Equivalent (FTE) criteria.

Switzerland

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

Total customer funds amounted to 2,852 million euros by the end of 2016, representing an 8% increase *vs.* December 2015. Assets under discretionary management were up 20.5% year on year and represent 27% of customer assets under management.

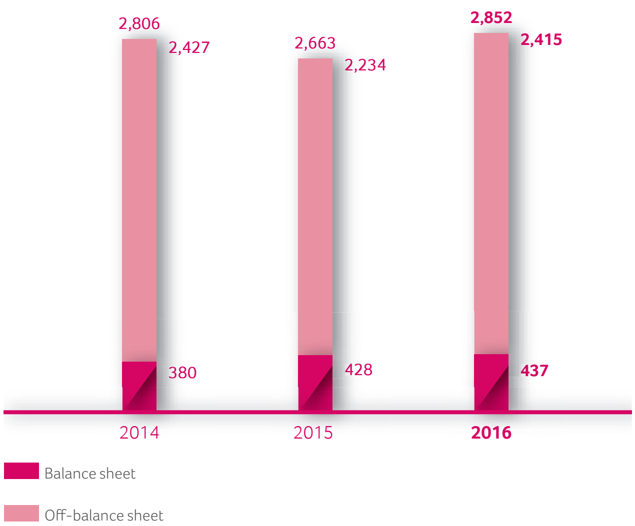
Despite the pressure on margins in the private banking industry, operating income reached 8.7 million euros, as a result of a 58 million euros credit portfolio expansion to 265 million euros.

Both net interest income and fees remained practically on the same level as in 2015, recording 4.4 and 23.0 million euros. Operating costs in euros went down to 20.9 million euros, after rising in Swiss francs.

In 2016, earnings before provisions fell 0.3 million euros to 7.6 million euros, with credit impairment up 0.9 million euros.

Net earnings amounted to 5.8 million euros, practically the same as last year.

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



(Million euros)

MILLENNIUM BANQUE PRIVÉE

	2016	2015	2014	Chan. % 16/15	2015 Excluding FX effect	Chan. %16/15 Excluding FX effect
Total assets	**536**	525	440	2.1%	530	1.2%
Loans to customers (gross)	**265**	207	213	28.0%	209	26.9%
Loans to customers (net)	**263**	206	213	27.3%	208	26.2%
Customer funds	**2,852**	2,639	2,506	8.1%	2,663	7.1%
Of which: on balance sheet	**437**	425	339	3.0%	428	2.1%
off balance sheet	**2,415**	2,214	2,167	9.0%	2,234	8.1%
Shareholders' equity	**84**	90	95	-7.5%	91	-8.3%
Net interest income	**4.4**	4.3	4.7	3.4%	4.1	6.3%
Other net income	**25.2**	25.7	24.9	-1.8%	25.0	0.9%
Operating costs	**20.9**	21.9	19.9	-4.6%	21.4	-1.9%
Impairment and provisions	**1.1**	0.1	0.2	> 200%	0.1	> 200%
Net income	**5.8**	6.0	7.2	-3.4%	5.8	-0.8%
Number of Customers (thousands)	**1.6**	1.6	1.6	-5.0%		
Employees (number)	**72**	71	69	1.4%		
Branches (number)	**1**	1	1	0.0%		
% of share capital held	**100%**	100%	100%			

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

FX rates:				
Balance sheet 1 euro =	1.0739	1.0835	1.2024	swiss francs
Profit and Loss Account 1 euro =	1.0925	1.0631	1.2136	swiss francs

OTHER INTERNATIONAL BUSINESSES

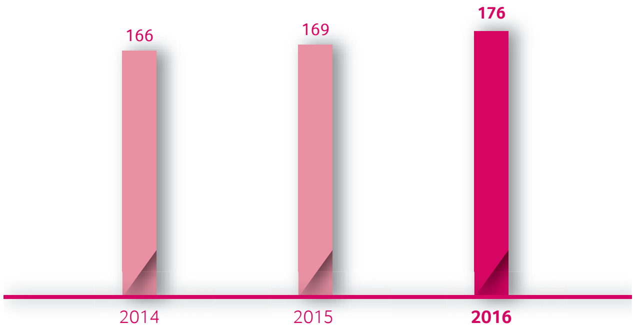
Moçambique

In 2016, Millennium bim's focus remained on the improvement of the quality of service, increasing the Customer base, expanding the use of remote channels (Millennium IZI, Internet Banking and the ATM and POS networks), so as to remain closer to its Customers. Millennium bim sought to contribute to increase the financial inclusion and to Mozambique's economic development, through the partnership made with Correios de Moçambique (Mozambique's mail company), consisting of the expansion of the network, by opening joint branches and Millennium bim branches at the premises of Correios de Moçambique. The focus on the development of new technologies was essential to adjust the offer to the Customers' needs. Millennium bim also sought to keep high levels of Customer satisfaction, loyalty and involvement, as well as to promote sales and the provision of a service of excellence to the Prestige and Companies segment. The actions resulted in Millennium bim keeping its leadership position in the Mozambican financial sector.

To fulfil its general expansion plan, the Bank opened 7 new branches, having now a total of 176 branches. The focus on remote channels led to a surge in the number of ATMs to 478 and of POSs to 8,103, 4% and 11% up *vs.* 2015, respectively.

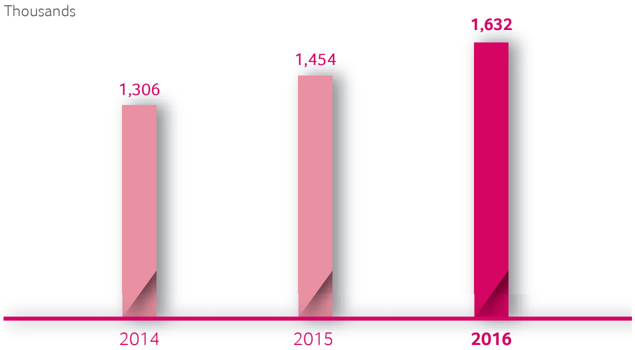
NUMBER OF BRANCHES

Units



NUMBER OF CUSTOMERS

Thousands



In the period under analysis, Millennium bim continued to launch innovative products and services to fully meet the needs of its Clients, such as:

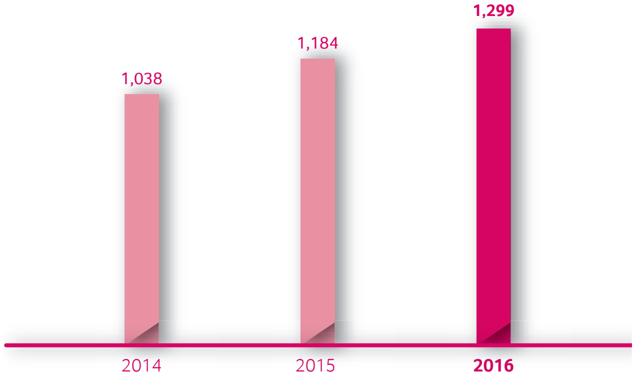
- Launching Smart IZI, an app for smartphones, offering the same tools as the IZI but with a more graphic and intuitive image. It can be accessed using Android and iOS devices;
- Launching the Millennium bim page on Facebook, with periodical updates, including online challenges, such as analysis on the Client's preferences, and sharing new products;
- Possibility of making transfers to a mobile phone using the Collections and Payments Service (in batch via file) online;
- Launching a new product line for South African miners, consisting of a range of products and services with advantageous conditions;
- Launching the new term deposits product range: Anniversary Term Deposit; Welcome Term Deposit; Early Interests Term Deposit; POS Yield Account Term Deposit.

As a result of the bet on being close and keeping Customer trust, the Customer base grew 12% *vs.* the previous year, reaching over 1.6 million Clients.

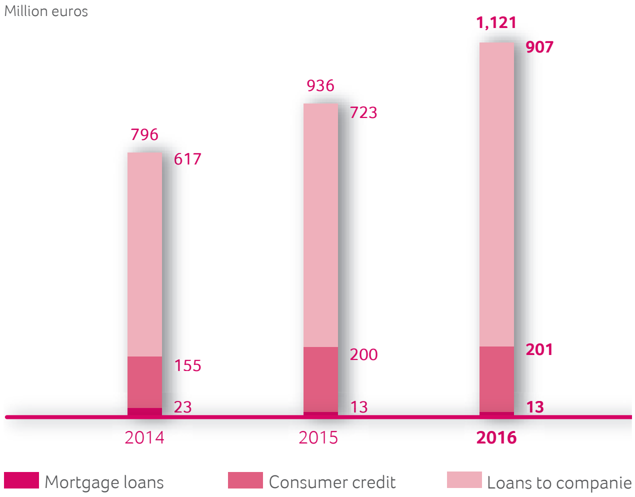
Millennium bim attained, in 2016, net earnings of 5.0 billion meticais, *i.e.* 71.2 million euros, 34.3% up *vs.* 2015, enabling a return on equity (ROE) of 23.1%. At the same time, the Bank managed to significantly decrease the efficiency ratio down to 39.3% (-4.7 p.p. year on year).

Customer funds rose 9.7% *vs.* the end of the previous year, attaining 97.8 billion meticais (1,299 million euros). Simultaneously, loans to customers recorded an 18% increase *vs.* December 2015, reaching 78.3 billion meticais (1,039 million euros).

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



(Million euros)

MILLENNIUM BIM	2016	2015	2014	Chan. % 16/15	2015 Excluding FX effect	Chan. % 16/15 Excluding FX effect
Total assets	**1,838**	2,355	2,576	-22.0%	1,600	14.9%
Loans to customers (gross)	**1,121**	1,378	1,481	-18.7%	936	19.7%
Loans to customers (net)	**1,039**	1,297	1,403	-19.8%	881	18.0%
Customer funds	**1,299**	1,744	1,932	-25.5%	1,184	9.7%
Of which: on balance sheet	**1,299**	1,744	1,932	-25.5%	1,184	9.7%
Shareholders' equity	**309**	396	441	-22.0%	269	14.8%
Net interest income	**139.7**	140.8	140.6	-0.7%	88.6	57.7%
Other net income	**64.5**	100.6	82.4	-35.9%	63.3	1.8%
Operating costs	**80.2**	106.1	98.9	-24.4%	66.8	20.2%
Impairment and provisions	**23.6**	29.4	14.1	-19.8%	18.5	27.4%
Net income	**71.2**	84.2	88.5	-15.4%	53.0	34.3%
Number of Customers (thousands)	**1,632**	1,454	1,306	12.3%		
Employees (number)	**2,551**	2,505	2,513	1.8%		
Branches (number)	**176**	169	166	4.1%		
% of share capital held	**66.7%**	66.7%	66.7%			

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

Balance sheet 1 euro =	75 .3100	51 .1600	40 .4700	meticais
Profit and Loss Account 1 euro =	69 .4927	43 .7413	41 .5817	meticais

Macao

In 2016, the branch's guidelines aimed fundamentally at providing services to the Bank's networks by supporting Individuals and Company Customers of the Bank, having more Chinese Customers, broadening the base of local Customers and the expansion of the activity between China – Macao – Portuguese speaking countries focused at the offer of investment banking services.

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

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

In 2016, customer deposits stood at 1.1 billion euros (+5.5%) and gross loans reached 0.4 billion euros (-30.1%).

Net earnings amounted to 19.7 million euros (-17.6% in MOP and -14.9% in euros), negatively influenced by loans to customers' reduction (-30.1%) if compared with 2015.

Cayman Islands

Millennium bcp Bank & Trust, a bank with registered office in the Cayman Islands, holder of a class "B" banking license, provides international banking services to Clients that do not reside in Portugal. The Cayman Islands are considered a cooperating jurisdiction by Banco de Portugal.

Millennium bcp Bank & Trust reported net earnings of 7.5 million euros in 2016, which represents a year-on-year increase of 51.6%, mainly influenced by the decrease in operating costs and by the decrease in impairment, which completely offset the fall in the net interest income and fees and commissions.

(Million euros)

MILLENNIUM BCP BANK & TRUST

	2016	2015	2014	Chan. % 16/15
Total assets	**710**	802	886	-11.4%
Loans to customers (gross)	**41**	45	51	-9.6%
Loans to customers (net)	**39**	41	47	-4.4%
Customer funds	**383**	491	577	-21.9%
Of which: on balance sheet	**371**	478	562	-22.5%
off balance sheet	**13**	12	15	1.9%
Shareholders' equity	**335**	317	314	5.6%
Net interest income	**5.7**	7.8	8.9	-26.1%
Other net income	**1.2**	2.5	0.8	-51.7%
Operating costs	**2.1**	2.9	2.2	-27.4%
Impairment and provisions	**-2.7**	2.4	-0.3	< -200%
Net income	**7.5**	4.9	7.9	51.6%
Number of Customers (thousands)	**0.2**	0.3	0.4	-25.9%
Employees (number)	**7**	12	12	-41.7%
Branches (number)	**0**	0	0	
% of share capital held	**100%**	100%	100%	

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

OTHER

Millennium bcp Ageas

2016 continued to register changes to the shareholder structure of some insurance groups with operations in Portugal. One must especially underline the completion of Ageas Portugal's acquisition of AXA Portugal in the beginning of the year, thus becoming the second largest insurance group operating in Portugal. Future consolidation movements continue to be expected in 2017.

2016 was the starting year of the strategic agenda of the Ocidental Group, called Vision 2020. Within the scope of Vision 2020, several projects were carried out, with special focus on the bancassurance distribution model, together with the creation of innovative value propositions and excellence in the experience provided to our Customers, so that the bancassurance operation can continue to be a reference at an international level.

The Life insurance business, which produced 1.4 billion euros, recorded an 8.2% decrease *vs.* 2015, much less than the market contraction, 22.7%. This way, the market share of insurance premiums increased to 21%, 3.3 p.p. up year on year. The operating performance and technical solidity of the Life operation enabled the generation of a contribution of over 26 million euros of net income for Millennium bcp, 68% more than in 2015. In the Non-Life business, the strong focus of the commercial networks of Millennium bcp permitted an increase in production above 10%, reinforcing the position of Millennium bcp as leader in the distribution of Non-Life insurance in the bancassurance channel with a market share of 34.3%. This performance is significant, considering that the Non-Life insurance market grew only 5.9%.

The bancassurance activity was also marked by the increase in products on active sale which represented 52% of total risk insurance sales, arising from an increase in productivity of the commercial network of about 18%. Bancassurance contributed 76.4 million euros in fees paid to the Bank.

Key indicators	Dec. 2016	Dec. 2015	Change	Ranking
Market share – Insurance premiums				
Life	**21.0%**	17.7%	+3.3 p.p.	2nd
Non-Life	**7.2%**	6.9%	+0.3 p.p.	4th
Market share – Bancassurance premiums				
Life	**27.3%**	20.9%	+6.4 p.p.	2nd
Non-Life	**34.3%**	32.8%	+1.5 p.p.	1st

(1) Ocidental Group insurers.

PENSION FUND

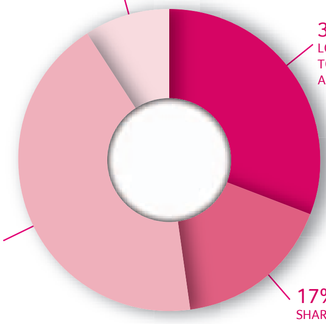
The Group's responsibilities with pensions on retirement and other benefits stood at 3,093 million euros as at 31 December 2016, comparing with 3,136 million euros as at 31 December 2015. These responsibilities are related with the payment to Employees of pensions on retirement or disability, and were fully funded and kept at a higher level than the minimum set by Banco de Portugal, presenting a coverage rate of 112%, comparing with 111% at the end of 2015.

As of 31 December 2016 the Pension Fund's assets reached 3,124 million euros and a negative rate of return of 2.6%, which unfavourably compares to the assumed actuarial rate of 2.1%.

The main asset categories in the Pension Fund's portfolio, as of 31 December 2016 and at the end of 2015, were as follows:

- The shares represented 17% as at 31 December 2016 decreasing from 21% as at 31 December 2015;
- Bonds and other fixed income securities increased to 43% at the end of 31 December 2016 *vs.*42% as at 31 December 2015;
- The component of Loans and advances to credit institutions and others reached 31% as at 31 December 2016 showing an increase when compared to the 28% presented at the end of 2015;
- The properties represented 9% as at 31 December 2016 in line with the amount observed in the previous year.

STRUCTURE OF THE PENSION FUND'S ASSETS AS AT 31 DECEMBER 2016



(xx%) Proportion as at 31 December 2015.

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

Assumptions	2014	2015	2016
Discount rate	2.50%	2.50%	**2.10%**
Increase in future compensation levels	0.75% until 2017 1% after 2017	0.75% until 2017 1% after 2017	**0.25% until 2019 0.75% after 2019**
Rate of pensions increase	0% until 2017 0.5% after 2017	0% until 2017 0.5% after 2017	**0% until 2019 0.5% after 2019**
Projected rate of return of fund assets	2.50%	2.50%	**2.10%**
Mortality tables			
Men	TV 73/77 – two years	TV 73/77 – two years	**TV 88/90**
Women	TV 88/90 – three years	TV 88/90 – three years	**TV 88/90 – three years**
Disability rate	Not applicable	Not applicable	**Not applicable**
Turnover rate	Not applicable	Not applicable	**Not applicable**

In 2016 an amount of 303 million euros of negative actuarial deviations, before taxes, was recognized, of which 249 million euros referring to the reduction of the discount rate and the mortality table update and 170 million euros related to differences arising from the return on pension fund's assets. The rate of pensions and salaries increase was revised generating positive actuarial deviations amounting to 129 million euros, thus offsetting part of the abovementioned negative evolution.

At the 2016 year end the Collective Labour Agreement was revised and the respective impacts were recognized on the consolidated profit and loss account.

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

Main indicators	2014	2015	2016
Liabilities with pensions	3,133	3,136	**3,093**
Value of the Pension Fund	3,095	3,158	**3,124**
Value of the Extra Fund	343	312	**324**
Coverage rate	110%	111%	**112%**
Return on Pension Fund	8.1%	-0.8%	**-2.6%**
Actuarial (gains) and losses	477	111	**303**

BCP RATINGS

In 2016 the Portuguese banks continued to develop their activities within a particularly difficult context. The Portuguese economy continued to show a moderate growth and the banks are operating within a context of very low interest rates, thus exercising pressure on the net interest income. In 2016, the capitalisation levels and the level of non-performing exposures were perceived as additional fragilities in the Portuguese banks. In Portugal, the high indebtedness level of both the public and private sectors, the macroeconomic uncertainty and volatility surrounding Brexit, and the recent resurgence of protectionism on an international level, continue to condition the expansion of the turnover of the Portuguese banking industry. There is still some uncertainty as to the impact of CGD's recapitalization on the public deficit and of the solution that comes to be defined for Novo Banco. The trajectory to decrease the weight of public debt on the GDP was also extended in time, which contributed to the rating agencies not upgrading the Portuguese Republic's Rating at the end of the year. The consolidation in Portugal could help materialize synergies but some rating agencies consider that the banking industry is already quite concentrated.

In what regards Group BCP, besides the exposure to Portugal, the Group has a relevant exposure to Poland where the political and the legal risks have increased in the last months. The context has also become harder in some African countries, especially Mozambique (which defaulted in the beginning of 2017) and Angola.

In 2016, various rating actions were pursued by the different rating agencies:

MOODY'S

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

RATING ACTIONS

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

STANDARD & POOR'S

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

RATING ACTIONS

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

FITCH RATINGS

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

RATING ACTIONS

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

DBRS

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

RATING ACTIONS

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

RISK MANAGEMENT

ACCOUNT OPENING FOR THE YOUTH SEGMENT
Millennium bcp continues to focus on the youth segment, with modern, innovative digital products and services that are aligned with the needs of Customers who are both demanding and of strategic importance.

RISK MANAGEMENT

The Risk Management System is part of the Group's Internal Control System – together with the Internal Audit and Compliance functions – concurring to a solid control environment, based on which the Group develops its business activities.

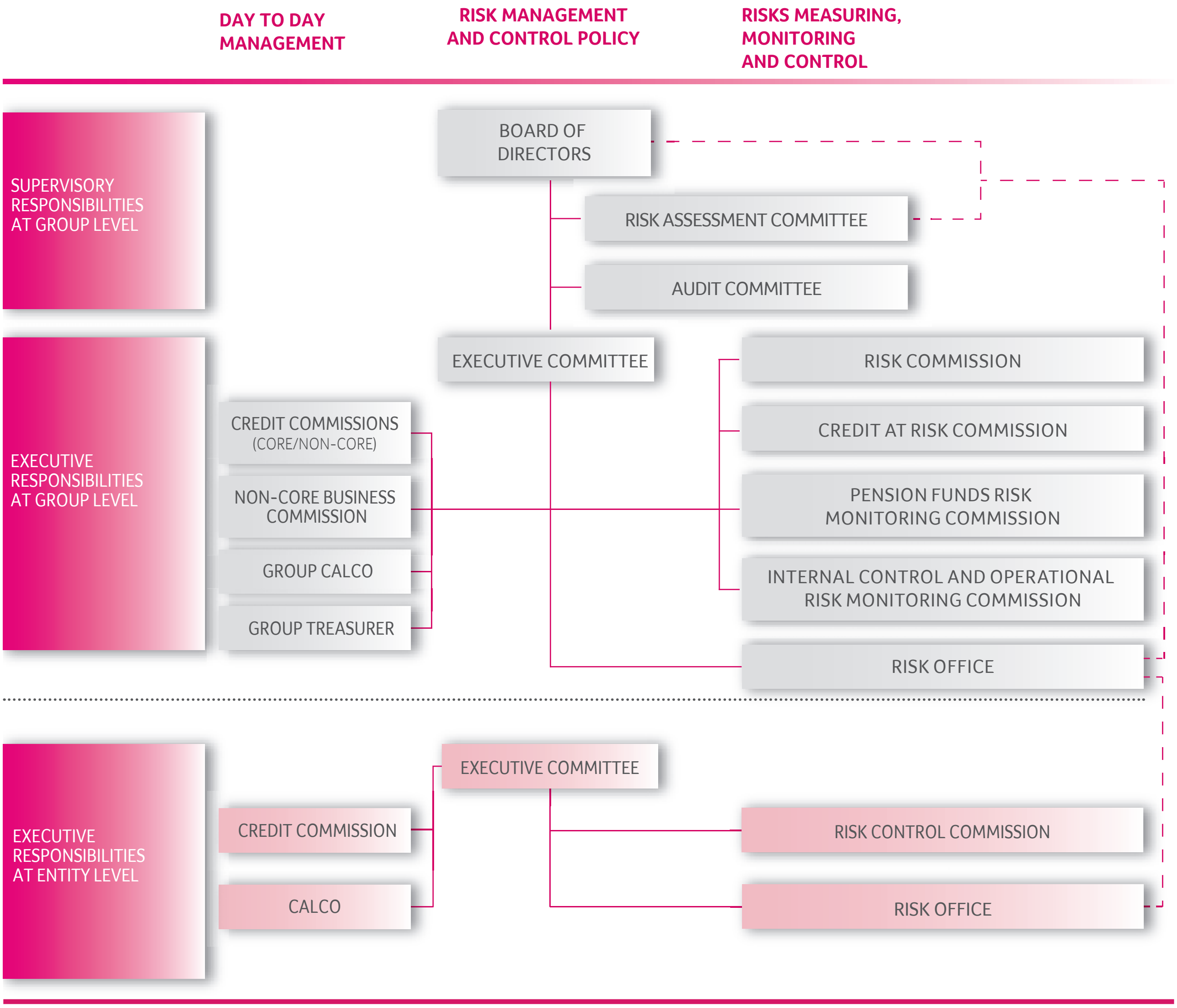
Within the scope of the Risk Management System, the monitoring and control mechanisms for the risks to which the Group is exposed, as well as the instruments and methodologies for the measurement and assessment of those risks, continued to be developed and strengthened throughout 2016.

In summary, the main activities, developments and achievements in 2016 in which the Risk Management System intervened were the following:

- Implementation of enhancements concerning the credit Risk Weighted Assets (RWA) calculation process;
- Improvement of the reliability and controls of the financial and prudential reporting systems (FINREP and COREP);
- Review and fine-tuning of the Internal Capital Adequacy Assessment Process (ICAAP) and of the Internal Liquidity Adequacy Assessment Process (ILAAP), materialised in the improvement of the risk quantification models and in the respective reports;
- Implementation of the risk appetite metrics in Poland and Mozambique;
- Launching of the IFRS9 Project, including the quantitative and qualitative analyses concerning the adoption of these standards and the estimates concerning the potential impacts over own funds (with results transmitted to the European banking Authority – EBA) and the implementation gap analysis; the Bank also initiated the next stage, of detailed analysis and design, still in 2016, aiming at the implementation of the new accounting standards;
- Continued implementation of the action plans stemming from the supervisory recommendations concerning the monitoring of IRB models and the market risks framework;
- Launching of a non-performing exposures (NPE) reduction plan in Portugal, involving several areas of the Bank;
- Participation in the Single Supervisory Mechanism (SSM) stress-testing exercise;
- Answer to the ECB's TRIM survey (Targeted Review of Internal Models), in which the Models Validation and Monitoring Office, Internal Audit and the Credit and Rating Divisions were also involved;
- Participation in the EBA's Benchmarking exercise, concerning the internal models authorised for the capital requirements calculation for Retail and Corporate SME portfolios credit risk and for market risks;
- Conclusion of the collective impairment model and introduction of several improvements within the process and the calculation;
- Changes to the impairment analysis process for cases considered as individually significant, with implementation of a process support workflow.

RISK MANAGEMENT GOVERNANCE

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



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

RISK ASSESSMENT COMMITTEE

The Risk Assessment Committee is composed of four non-executive members of the BoD[5] and has the following capacities:

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

[5] As at 31/12/2016; one of these elements was appointed by the State for the period of enforcement of the public investment to reinforce the Bank's own funds.

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

AUDIT COMMITTEE

The Audit Committee is composed of four non-executive members of the BoD[6]. Within the risk management governance, this body stands out for its corporate global monitoring and supervising capacities (*e.g.* in what concerns the follow-up of the risk levels), as well as for its capacities related with the Internal Control System:

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

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

RISK COMMISSION

This commission is responsible, at an executive level, for the Group's risk management and control framework, establishing its respective principles, rules, limits and procedures for the Group's entities, in accordance with the defined risk limits.

The Risk Commission monitors the overall levels of credit, market, liquidity and operational risk, as well as all other risks considered materially relevant for the institution, ensuring that the risk levels are compatible with the objectives, available financial resources and strategies that have been approved for the development of the Group's activity. This commission also validates the risk management's compliance with the applicable laws and regulations.

This commission is composed of all the members of the EC[6], the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Internal Audit; International, Treasury and Markets; Research, Planning and ALM; Credit; Rating.

CREDIT AT RISK MONITORING COMMISSION

This commission has the responsibility of monitoring the evolution of credit risk, under various aspects:

- Credit exposure and underwriting process;
- Portfolio's quality and main performance and risk indicators;
- Counterparty and concentration risk in the largest exposures;
- Impairment, including the main cases of individual impairment analysis;
- Analysis of the credit recovery processes performance;
- Real estate portfolio divestment, as well as in other assets received within the scope of credit recovery processes.

In 2016, this Committee has been particularly focused on the process of NPE (Non-Performing Exposures) reduction, with a special emphasis on the fulfilment of the goals assumed *vis-à-vis* the supervisory entities and the market, as well as on the follow-up of the measures adopted to attain those goals.

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

PENSION FUNDS RISK MONITORING COMMISSION

The mission of this specialised commission is the monitoring of the performance and risk of the Pension Funds in Portugal.

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

The commission has the following competences:

- Assess the performance and risk of the Pension Funds;
- Establish the appropriate investment policies.

INTERNAL CONTROL AND OPERATIONAL RISK MONITORING COMMISSION

This commission is responsible for defining the operational risk management framework and its implementation in the Group's operations.

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

This commission monitors all matters related with internal control and operational risk.

CREDIT COMMISSION(S)

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

There are two Credit Commissions with identical composition: one deciding on core business credit proposal, the other deciding on non-core business and non-performing exposures credit proposals.

[6] With a minimum of three Executive Directors.

The Credit Commission is composed of all of the EC members[7], the Risk Officer, the Compliance Officer, the Company's Secretary, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas. The Heads of the following Divisions are also members of this commission: Credit; Specialised Monitoring; Legal Advisory and Litigation; Investment Banking; Real Estate Business; Rating; Specialised Recovery; Retail Recovery.

GROUP CALCO

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

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

The Group CALCO is composed of all the members of the EC[8] and the Heads of the following Divisions: Research, Planning and ALM; Risk Office; Large Corporate; Companies and Corporate; Management Information; Companies Marketing; Retail Marketing; International, Treasury and Markets; Investment Banking; Business Development. Other persons, according to the matters addressed, may be requested to participate in the Group CALCO.

RISK OFFICER

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

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

The Risk Officer is appointed by the BoD and supports the work of the Risk Commission, the Credit at Risk Monitoring Commission, the Pension Funds Risk Monitoring Commission and the Internal Control and Operational Risk Monitoring Commission. The Risk Officer reports to the Board of Directors and its Executive Committee, as well as, on a functional or close relationship basis, to the Risk Assessment Committee, the Audit Committee and the Chairman of the Board of Directors.

CREDIT RISK

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

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

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

EVOLUTION AND BREAKDOWN OF THE LOAN PORTFOLIO

The Group's loan portfolio, measured in terms of Exposure at Default (EAD) and euros (EUR), for all three of the main geographies in which the Group operates (Portugal, Poland and Mozambique, that represented, as at 31 December 2016, 99.1% of the credit portfolio) registered a decrease of around 1,380 million euros between December 2015 and December 2016. The annual changes in these geographies were the following:

(Million euros)

Country	Dec. 16	Dec. 15	Change	
			Amount	%
Portugal	**47,856**	48,743	-887	-1.8%
Poland	**16,015**	15,986	29	0.2%
Mozambique	**1,997**	2,519	-522	-20.7%
PT+PL+MZ	**65,867**	67,248	-1,381	-2.1%

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

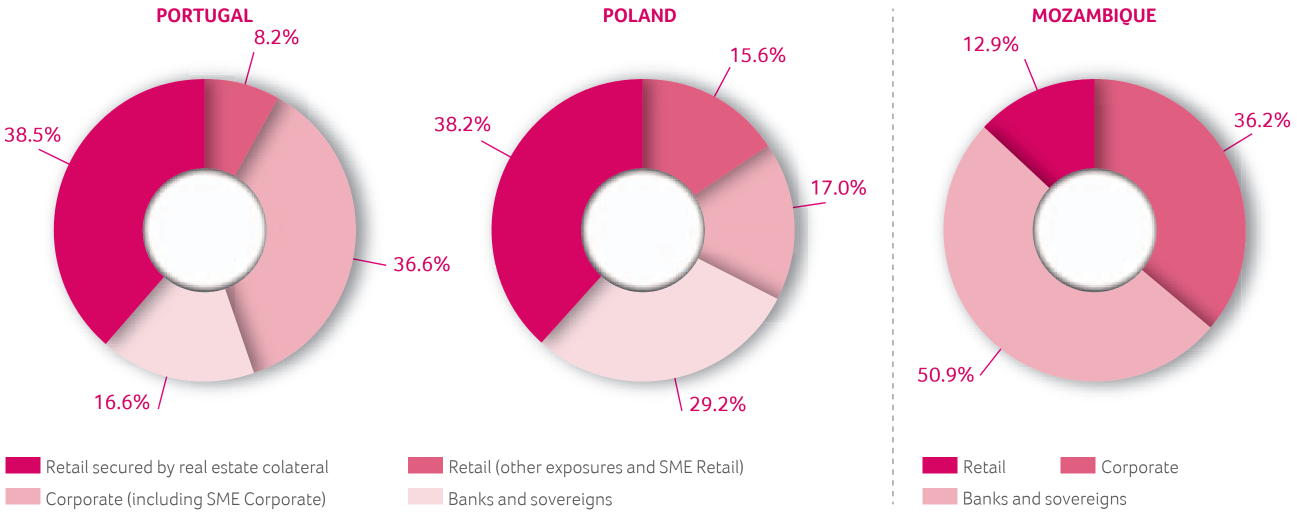
The credit portfolio decrease is mainly due to two factors:

- The contraction of the credit portfolio in Portugal resulting, essentially, from the termination of non-performing positions through the use of impairment provisions and, also
- The devaluation of the metical in relation to the euro, which caused a -522 M€ decrease in Mozambique (practically almost 21% of reduction of this geography's portfolio, in euros).

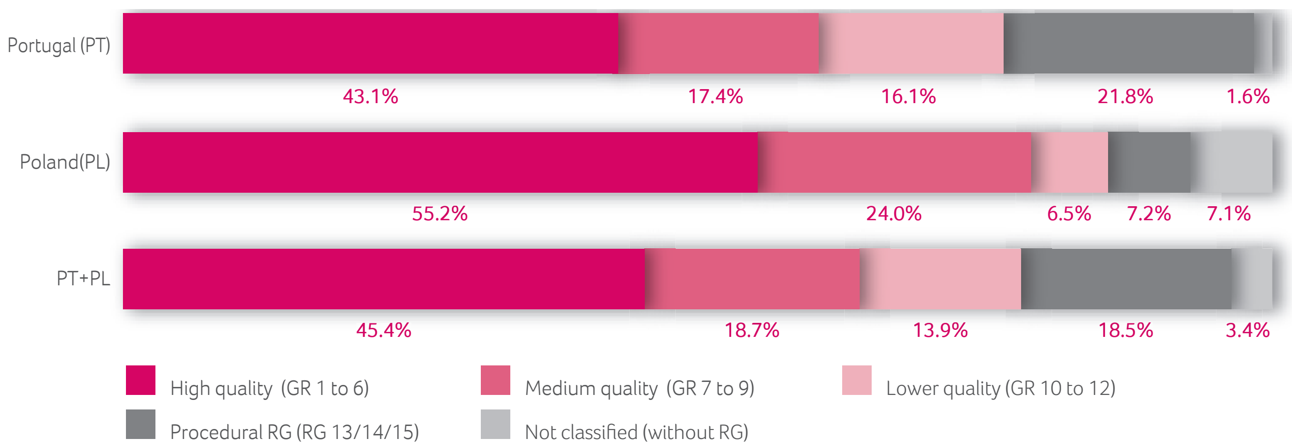
This FX devaluation was around 32% between the end of 2015 and the end of 2016. Hence, Mozambique's portfolio expressed in meticais (MZN) – with a relative weight of around 74% (in euros, as at 31/12/2015) – expanded by 1.8% in MZN but contracted by 30.8% in euros, to a relative weight of only 64% of the local portfolio (in euros, as at 31/12/2106).

In what concerns Poland's portfolio, it registered a negligible annual growth in euros (+0.2%) for a similar reason (FX variation), even if with a lower expression: the zloty (PLN) devaluated around 3.3% in relation to the euro between 31/12/2015 and 31/12/2016. The PLN portfolio, that represented around 66% of the Polish portfolio (in euros, by the end of 2015) registered an annual growth of 3.4%. In this geography, the swiss francs portfolio – representing around 27% of the total (in euros, by the end of 2015 – registered a slight decrease of 0,9%).

In terms of each risk class' weight, there were no relevant changes in their distribution in relation to the end of 2015. The following graphs show the weights distribution in each of the three main geographies, as at 31 December 2016.



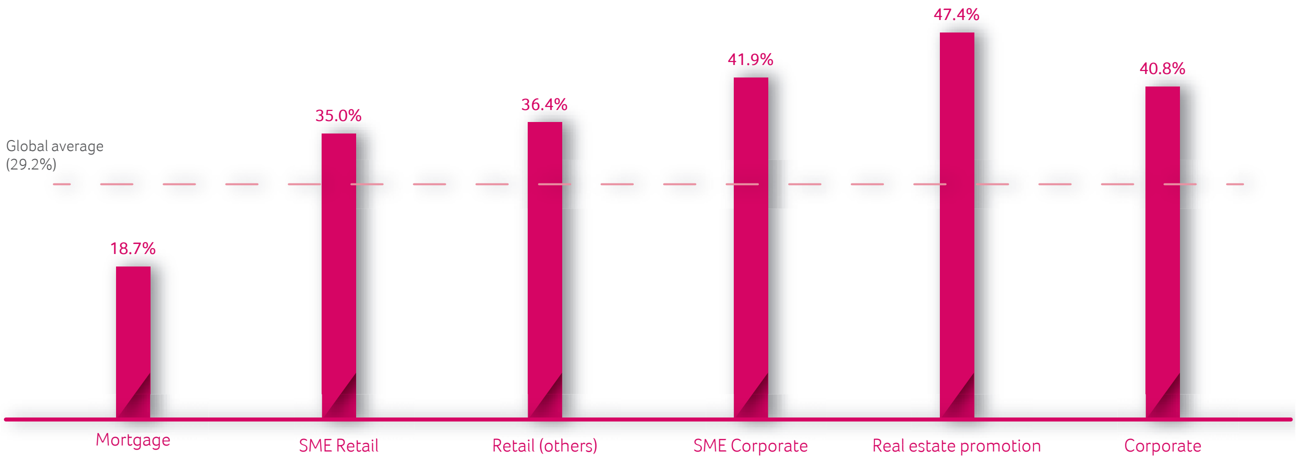
Concerning the distribution of EAD by risk grades (RG) corresponding to the internal ratings attributed in Portugal and Poland to the Clients with credit positions, this is illustrated in the following graph (31/12/2016):



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

This distribution of EAD represents a positive evolution of the quality of the ratings in relation to 31/12/2015, since the weight of the EAD corresponding to high and medium quality ratings increased in both geographies: 64.2% as at 31 December 2016, against 61.6% as at 31 December 2015. Inversely, the weight of the EAD corresponding to lower quality and procedural risk grades, that was of 34.6% by the end of 2015, was of 32.4% by the end of 2016. It should be noted that this improvement was registered in both geographies.

In what concerns the LGD (Loss Given Default) parameter, the average levels that were registered as at 31/12/2016, for the RWA (Risk Weighted Assets) calculation for Portugal, were the following:



MAIN CREDIT RISK INDICATORS

The next table illustrates the quarterly evolution of the main credit risk indicators between December 2015 and Decdember 2016, for the Group and for the portfolios of Portugal, Poland and Mozambique:

	Dec. 16	Set. 16	Jun. 16	Mar. 16	Dec. 15
GROUP					
Non-performing loans/Total loans	6.2%	6.9%	6.9%	6.7%	6.6%
Past due loans (>90 d)/Total loans	9.5%	10.1%	10.5%	10.1%	10.0%
Impairment/Total loans	6.8%	6.8%	6.6%	5.9%	5.8%
PORTUGAL					
Non-performing loans/Total loans	7.4%	7.9%	8.3%	8.2%	8.1%
Past due loans (>90 d)/Total loans	11.5%	12.2%	12.8%	12.3%	12.2%
Impairment/Total loans	7.9%	7.8%	7.6%	6.7%	6.7%
POLAND					
Past due loans (>90 d)/Total loans	2.6%	2.7%	2.5%	2.5%	2.7%
Impairment/Total loans	2.8%	2.9%	2.9%	2.9%	3.0%
MOZAMBIQUE					
Past due loans (>90 d)/Total loans	4.6%	4.0%	4.0%	5.1%	4.7%
Impairment/Total loans	6.1%	5.6%	5.5%	5.6%	5.0%

NPL = Non-performing loans.

All of these indicators present a positive evolution between 31/12/2015 and 31/12/2016. In what concerns the "Impairment/Total Loans" ratio for Portugal and Mozambique, the evolution verified corresponds to a significant provisioning effort of the non-performing portfolio, resulting from a marked prudential posture.

NPE REDUCTION PLAN

The Group's credit has a high level of NPE (non-performing exposures), especially in Portugal, as a result of a Legacy portfolio that the Bank is managing in the sense of reducing the weight of these assets in the balance sheet. With this purpose, a NPE Reduction Plan was approved in 2016 and successfully implemented, with a reduction of over 1.2 billion euros of NPE. At the same time, the NPE assets coverage ratio by collateral and impairment was reinforced, from 93% by 31/12/2015 to 100% by 31/12/2016. The Bank continues the commitment of reducing the NPE in Portugal, having announced to the market a goal of reducing this portfolio to a level not higher than 7,500 million euros.

CREDIT CONCENTRATION RISK

The values relative to credit concentration as at 31 December 2016, measured by the weight of the 20 largest exposures (EAD), excluding Banks and Sovereigns, in total exposure, are presented in the following table:

Customer groups	EAD weight in total EAD
Group 1	1.6%
Group 2	1.9%
Group 3	0.4%
Group 4	0.5%
Group 5	0.4%
Group 6	0.7%
Group 7	0.6%
Group 8	0.3%
Group 9	0.4%
Group 10	0.4%
Group 11	0.4%
Group 12	0.2%
Group 13	0.4%
Group 14	0.4%
Group 15	0.3%
Group 16	0.2%
Group 17	0.3%
Group 18	0.4%
Group 19	0.3%
Group 20	0.3%
TOTAL	10.5%

The weight of 10.5% compares with a weight of 10.6% by the end of 2015, since there was stability in credit concentration. It should be also noted that:

- The global EAD amount for these 20 largest exposures decreased by around 460 M€ between 31/12/2015 and 31/12/2016; and
- The Bank has specific goals defined for reducing the single-name credit concentration, materialized by metrics approved by the BoD and included in the RAS.

OPERATIONAL RISK

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

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

In 2016, it is important to point out the following activities – in Portugal and in the main subsidiaries of the Group – aiming at the reinforcement of the operational risk management framework:

- Continued development of the operational risk management system, with a highlight on the consolidation of the changes introduced for a better definition of responsibilities of the intervenient (three Lines of defence model);
- Implementation of the actions for the resolution of the supervisory recommendations stemming from the Group's operational risk management system inspection;
- Reinforcement of the reporting to the management bodies, in order to ensure a wider and more systematic monitoring of the activities, providing a better visibility of the actions of all risk management;
- Deployment of a scenario analysis exercise aiming at the quantitative impact of extreme events, the results of which were incorporated in the statistical model developed and were the support of the economic capital assessment within the scope of the ICAAP.

OPERATIONAL RISK MANAGEMENT STRUCTURE

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

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

The responsibility for the processes management was entrusted to process owners (seconded by process managers), whose mission is to characterise the operational losses captured under their processes, to monitor the respective KRI, to perform the RSA exercises, as well as to identify and implement suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and the improvement of the internal control environment. The periodical revision of the main processes in each geography is ensured by local structure units.

OPERATIONAL RISKS SELF-ASSESSMENT (RSA)

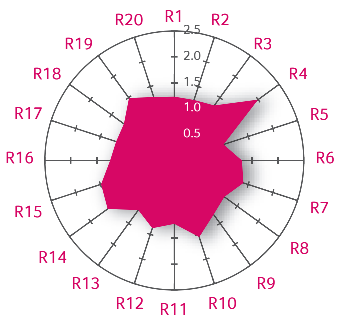
The objective of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering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

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

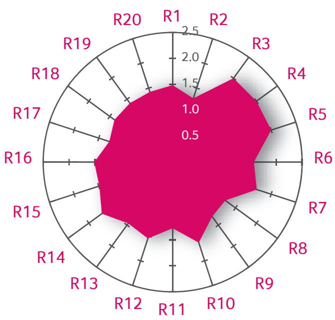
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

In 2016, RSA exercises were conducted in the main Group geographies, the results of which are presented in the next graphs. These show the average score for each of the 20 subtypes of operational risk considered, for the set of processes of each geography. The outer line represents a score of 2.5 on a scale of 1 (lowest exposure) to 5 (highest exposure).

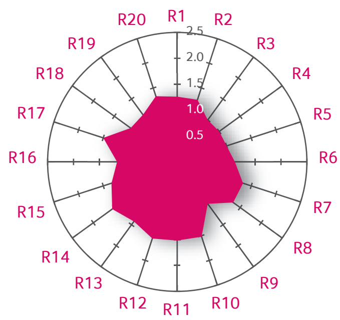
PORTUGAL



POLAND



MOZAMBIQUE



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 Customer related errors
R13 Product flaws/errors
R14 External fraud and theft
R15 Property and disasters
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Project risks
R19 Outsourcing related problems
R20 Other third parties' related problems

OPERATIONAL LOSSES CAPTURE

The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the the awareness of this risk and to provide relevant information to process owners, for incorporation within their processes' management. As such, it is an important instrument to quantify risk exposures and also for the back-testing of the RSA results, enabling the assessment on the evaluation/classification attributed to each risk subtype.

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

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

The profile of the losses captured in the database in 2016 is presented in the charts.

For all of the criteria displayed above there were no relevant differences in the losses distribution in relation to the latest years. A highlight should be made on the relevancy assumed by Poland, stemming from a few number of events connected to configuration flaws of a product already discontinued.

KEY RISK INDICATORS (KRI)

KRI draw attention to changes in the profile of the operational risks or in the effectiveness of its control, enabling the identification of the need to introduce corrective actions within the processes, so as to prevent potential risks from materialising into losses. The use of this management instrument has been significantly broadened in 2016, currently encompassing all of the processes in the main Group entities (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators and Key Control Indicators, the monitoring of which is essentially oriented to assess operative efficiency, but also allows for the detection of risks.

SCENARIO ANALYSIS

Scenario Analysis is an exercise for the assessment of potential risks of high severity, aimed at quantifying the impact of extreme events (low frequency/high severity) which would be relevant for the Bank, even if never registered in the past.

All macro-process owners and other top managers from selected Divisions participated in this exercise, due to their knowledge and experience concerning the activities, which are essential for the description of this type of events' impacts and for the quantification of potential losses that could result from those events.

The results from the scenarios assessment were incorporated into the statistical model to determine the internal capital adequacy (ICAAP) and the information gathered also used for the risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

BUSINESS CONTINUITY MANAGEMENT

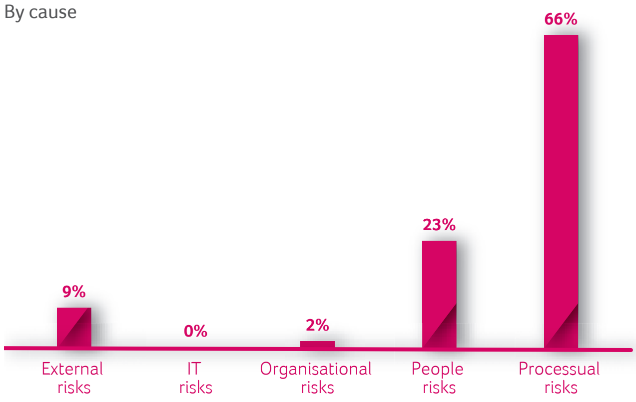
The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communication infrastructures.

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

These continuity plans are regularly tested and updated, through exercises aimed at improving and deepening the coordination between emergency response, technological recovery, crisis management and business recovery. Eight business recovery exercises, two technological recovery exercises and one crisis management exercise were realized in 2016.

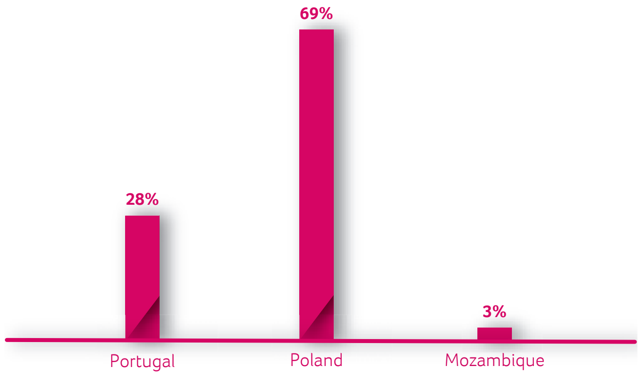
LOSS AMOUNT DISTRIBUTION

By cause



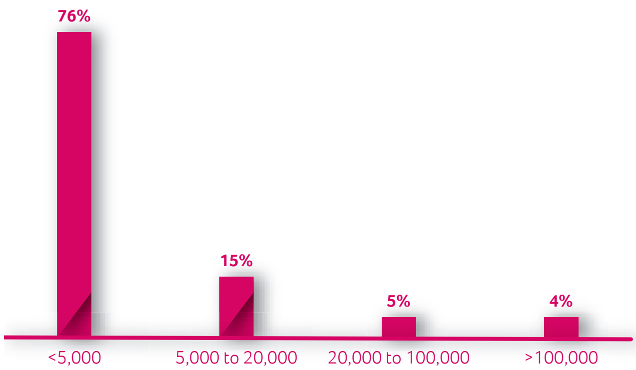
LOSS AMOUNT DISTRIBUTION

By geography



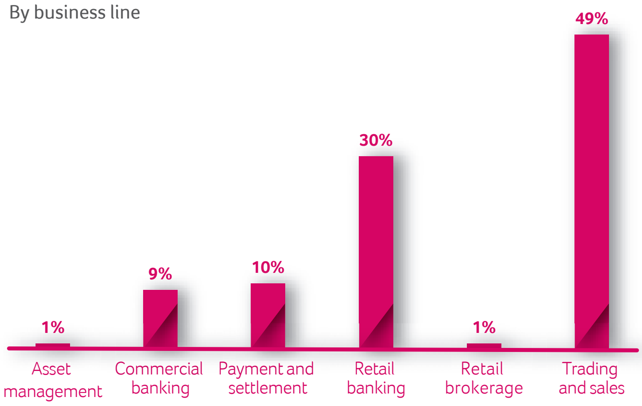
LOSS AMOUNT DISTRIBUTION

By amount range, €



LOSS AMOUNT DISTRIBUTION

By business line



INSURANCE CONTRACTING

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operational risk, where the objective is the transfer – total or partial – of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Risk Commission and authorised by the EC.

MARKET RISKS

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

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

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

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

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

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

The internal control framework for market risks was reinforced and improved along 2016, encompassing the implementation of recommendations issued by the internal control and validation areas (within the recurrent tasks of auditing and validation) or by supervisory entities, always considering the existing developments in the best risk management practices or regulatory changes.

TRADING BOOK MARKET RISKS[9]

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non--linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

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

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

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

The table below presents the VaR amounts measured by the methodologies referred to above, for the trading book, between 31 December 2015 and 31 December 2016.

(Thousands euros)

	Dec. 16	Max[*]	Min.	Dec. 15
GENERIC RISK (VAR)	**3,920.7**	5,456.0	1,559.8	3,012.8
Interest rate risk	**3,854.6**	1,275.3	1,184.0	1,663.2
FX risk	**354.0**	5,171.4	1,323.9	2,420.8
Equity risk	**37.0**	85.4	71.6	41.5
Diversification effects	**324.8**	1,076.1	1,019.8	1,112.7
SPECIFIC RISK	**440.2**	529.1	321.7	727.0
NON-LINEAR RISK	**8.2**	17.3	3.2	104.1
COMMODITIES RISK	**16.0**	12.7	11.1	12.8
GLOBAL RISK	**4,385.1**	6,015.2	2,100.4	3,856.6

Notes:
- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Bank Millennium Poland), Banco Internacional de Moçambique
[*] April 2016 – date beyond which the Treasury of Banco Millennium Angola was no longer included.

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

The figures show moderate levels of trading book market risks. Until the end of April 2016, the VaR amounts and the remaining market risk metrics reflected the impact of Angola's operation, with a highlight in what concerns FX risk.

Besides the significant devaluation observed for the metical along the year, FX risk has decisively influenced the VaR levels in 2016, with strong volatility in the FX market until the first half of the year, and a growth tendency for the VaR which was accentuated from July 2016 onwards, following the 'Brexit' victory (known by the 24 June).

VAR MODEL MONITORING AND VALIDATION

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

The VaR model's hypothetical back-testing exercise for the trading book of Portugal, between 31/12/2015 and 31/12/2016, resulted in six excesses over the model's predictive results (one positive and five negative), representing a frequency of 2.3% in 258 days of observation.

This result is slightly above the maximum theoretical value for bilateral excesses expected, which would be of five, but the model's adequacy is still accepted, even because the excesses at stake result from a highly atypical markets behaviour, with much volatility extremely concentrated on a period of time; specifically: 4 of the 6 excesses registered in the year occurred between 5 and 11 February 2016.

STRESS TESTS ON THE TRADING BOOK

Supplementary to the calculation of VaR, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identify risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss. The results of these tests on the Group's trading book, as at 31 December 2016 (in terms of impact over this portfolio's results), were the following:

(Million euros)

Standard scenarios tested	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 b.p.	-100 b.p.	-15.7
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 b.p.	-25 b.p.	-3.3
Combinations of the previous two scenarios	-100 b.p. and + 25 b.p. -100 b.p. and - 25 b.p.	-12.2 -19.3
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%	-1.7
Variation in swap spreads by +/- 20 b.p.	-20 b.p.	-0.3
Non-standard scenarios tested	**Scenario**	**Result**
Widening/narrowing of the bid-ask spread	Narrowing	-3.7
Customized scenario[1]		-5.5
Historical scenarios[2]	07-04-2011 22-09-2011	1.5 -4.9

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

These results show that the exposure of the Group's trading book to the different risk factors considered is relatively limited, and that the main adverse scenario at stake is a decrease in interest rates, when accompanied by a decrease in the slope of the yield curve.

INTEREST RATE RISK IN THE BANKING BOOK

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated balance sheet and discriminated by exposure currency.

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

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash flows (principal and interest, without the spread component, which includes costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

This analysis, reported as at 31 December 2016 and based on the calculation of the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of this mismatch discounted at a level of rates with +100 basis points (for all periods) results in a positive impact of approximately 79 million euros for positions denominated in euros. The following table shows the breakdown of this impact by each of the banking book's management areas and for the different residual terms of the positions in question.

(Million euros)

IMPACT OF A +100 B.P. PARALLEL SHIFT OF THE YIELD CURVE
Repricing gap in EUR

	Repricing terms-to-maturity					
	<1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	>7 Y	Total
Commercial area activity	1,321.5	77,709.4	387,260.6	-11,418.9	-33,931.0	420,941.6
Structural area activity	19,677.7	4,797.3	10,335.5	55.0	-3,838.6	31,026.9
SUBTOTAL	20,999.2	82,506.8	397,596.1	-11,363.9	-37,769.6	451,968.5
Hedging	-21,664.4	-162,713.2	-292,093.1	3,827.3	35,371.3	-437,272.1
COMMERCIAL AND STRUCTURAL TOTAL	-665.2	-80,206.4	105,503.0	-7,536.6	-2,398.3	14,696.4
Funding and hedging	26,784.3	713.7	-5,628.0	-68.1	-1,798.3	20,003.6
Investment portfolio	-18,537.4	601.4	-4,842.2	135.7	2,012.8	-20,629.7
ALM	20,201.7	95,880.7	-14,273.9	-8,486.2	-28,012.0	65,310.4
BANKING BOOK TOTAL (DEC. 2016)	27,783.4	16,989.4	80,759.0	-15,955.3	-30,195.8	79,380.7
Banking Book total (Dec. 2015)	-21,884.4	106,101.1	200,281.6	-210,221.2	-64,411.5	9,865.4
IMPACT OF A -100 B.P. PARALLEL SHIFT OF THE YIELD CURVE(*)						
BANKING BOOK TOTAL (DEC. 2016)	6,473.2	1,384.0	-18,747.0	3,756.0	16,697.6	9,563.8

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

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

FOREIGN EXCHANGE AND EQUITY RISK IN THE BANKING BOOK

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

As at 31 December 2016, the Group's financial holdings in USD, CHF and PLN were hedged (partially, in the last case). On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, for entities which have financial holdings with exchange rate risk, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology (except for CHF).

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

LIQUIDITY RISK

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

In 2016, there was an increase in the Bank's wholesale funding (WSF) needs of 543 million euros, stemming from the growth of the public and private debt securities portfolio in Portugal that was considered in the Liquidity Plan for 2016, the effect of which was mitigated by the decrease in the commercial gap in Portugal and by the funds provided by the capital raise occurred in the end of the year.

In parallel with the refinancing of medium/long-term debt, in a total of 958 million euros – of which 837 million of senior debt and 121 million of subordinated debt, including 50 million of contingent capital (CoCos) – the increase in the funding needs in relation to December 2015, involved the growth of 1.348 million euros from the Repos' balance in Portugal (to a balance of 2,318 million euros) and the decrease of 613 million euros in the ECB's funds (to a balance of 4,870 million euros). In net terms, the debt towards the ECB was also reduced, but with accentuation, with a decrease of 866 million in relation to the previous year's closing (to 4,436 million euros), in sequence with a progressive reduction trajectory that is observed since 2011.

The diversification of the funding sources – a goal included in the Liquidity Plan for 2016 – pursued, with the first collateralised Repo operations, in relevant number and volumes. These were collateralised by retained Covered Bonds and securitized assets, as a complement to the exclusive use (until now) of Portuguese Public Debt.

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

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

LIQUIDITY BREAKDOWN
Wholesale funding

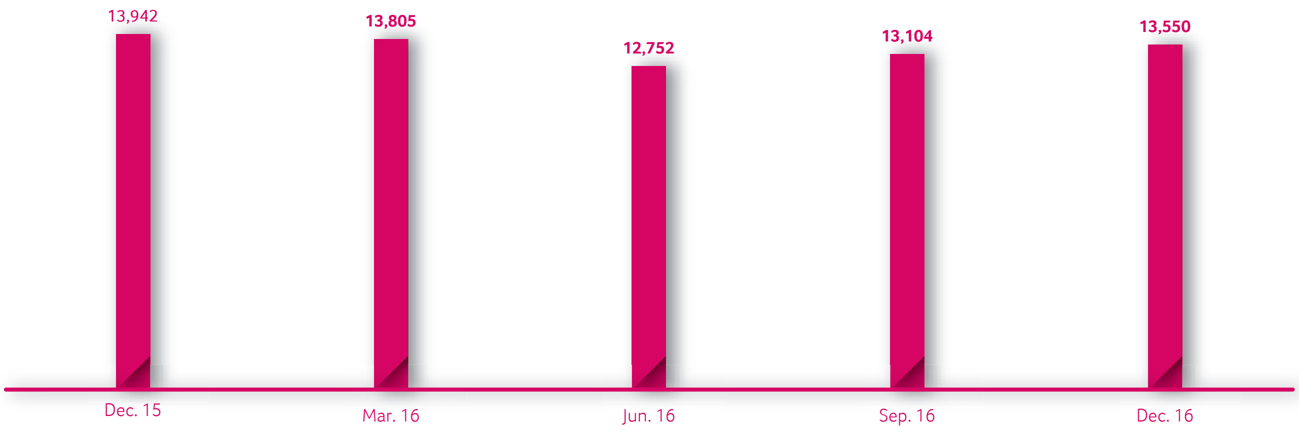
	31 Dec. 2016	31 Dec. 2015	Weight chg.
MMI	**4.1%**	3.4%	0.7%
BCE	**42.6%**	50.3%	-7.7%
CoCos	**6.1%**	6.9%	-0.8%
Private placements	**1.6%**	1.7%	-0.1%
Repos	**20.3%**	8.9%	11.4%
Loan agreements	**12.7%**	9.4%	3.3%
Schuldschein	**0.2%**	1.0%	-0.8%
EMTN	**2.9%**	4.1%	-1.2%
Covered bonds	**8.0%**	11.9%	-3.9%
Subordinated debt	**1.6%**	2.3%	-0.7%
TOTAL	**100.0%**	100.0%	

In the annual evolution of the funding structure a highlight should be made of the weight increase of the short-term instruments, mainly of Repos, and the decrease in the weight of the ECB funding. In what concerns the medium/long-term instruments, the growth in Loan Agreements should be noted.

The ECB funding needs reduction and the evolution of the Eurosystem eligible assets allowed for a liquidity buffer, by the end of 2016 that exceeded 9 thousand million euros – 474 million more than in 2015 (8,640 million euros). This amount incorporates the excess of collateral that is affected to the covered bonds program which, under the form of an own issuance aiming at the reinforcement of the ECB's eligible collateral portfolio, would represent that reinforcement by an amount not lower than 1,500 million euros (after haircuts and assuming an ECB's assessment in line with that of the other retained issuances).

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

ELIGIGLE ASSETS FOR DISCOUNTING AT THE ECB(*)
After haicuts
Million euros



(*)Global portfolio, considering the eligible assets included and not included in ECB's monetary pool policy and, in December 2016 and on a pro forma basis, the excess of collateral that is affected to the Covered Bonds program which, under the form of an own issuance aiming at the reinforcement of the ECB's eligible collateral portfolio, would represent that reinforcement by an amount not lower than €1 500 M (after haircuts and assuming an ECB's assessment in line with that of the other retained issuances).

LIQUIDITY RISK CONTROL

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

These indicators, as at 31 December 2016, showed a zero value in the Treasuries of Portugal and Poland, signifying surplus liquidity in these geographic regions, both in immediate terms and at 3 months, reflecting the prudent management of the different Treasuries of the Group towards this risk.

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

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulations, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (99,4% as at 31 December 2016), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) – respectively, 124% and 112% as at 31 December 2016 – and also the relative dimension of the excess of available collateral for discounting in UE central banks *vis-à-vis* the total clients' deposits.

PENSION FUND RISK

This risk arises from the potential devaluation of the assets of the Defined Benefit Fund or from the reduction of their expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted by such scenarios, the Group would have to make unplanned contributions in order to maintain the benefits defined by the Fund.

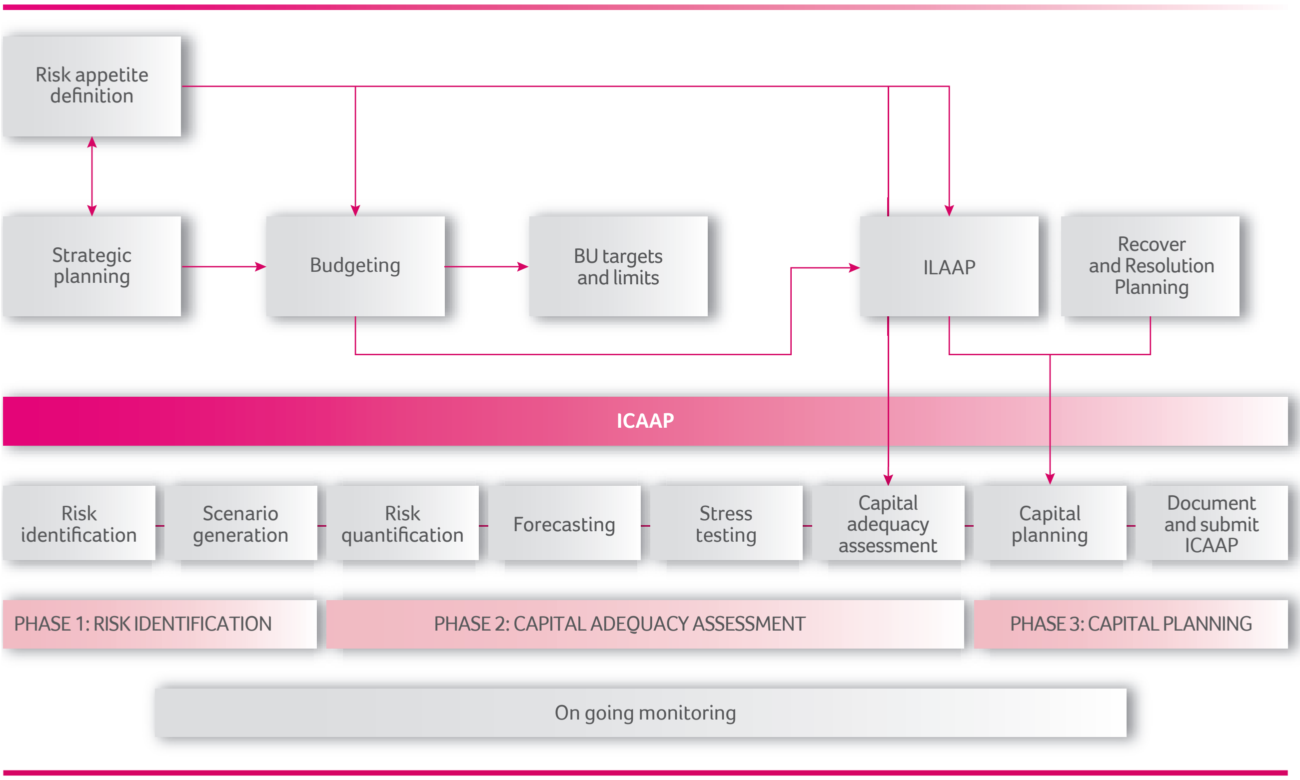
The monitoring of this risk and the follow-up of its management is a responsibility of the Pension Funds Risk Monitoring Commission.

In 2016, the Pension Fund recorded a time-weighted rate of return (TWR), net of management and deposit commissions, of -2.6%. This performance was the result of the negative yield recorded in the equities component (devaluation of the main stocks) and in the real-estate assets component (revaluation of the Fund's properties). The remaining assets components registered a positive return, with a highlight on the variable rate assets and the private equity funds.

It should also be referred that in 2016, several actuarial assumptions used for the Fund's responsibilities' assessment were updated: the salaries growth rate, the discount rate, the mortality tables for men, the normal retirement age and the Social Security salaries/pensions revaluation rate.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is a key component of the Group's risk management. It is an exercise aimed at identifying the capital needed by the Group to appropriately cover the risks in which it incurs by developing its business strategy – both current and projected for the medium-term. The chart below illustrates synthetically the process at stake:



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

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

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

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject. For this purpose, the Group uses a methodological approach based on an internal list of risks, covering more than 60 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.

Beyond all risks considered to be material, the Group integrates in the ICAAP all of Basel's Pilar I risks, even if these do not attain levels that are considered to be material, at Group level.

The result of this stage is the list of risks to be incorporated in the ICAAP, which will also be helpful in defining the variables to be considered for the establishment of the base and the stressed scenarios, mentioned below. The approval of the results of the risks identification process is a capacity attributed to the Risks Assessment Committee.

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision on the most probable evolution of the business constraints in the medium-term, the stressed scenario incorporates extreme conditions, with low probability of occurrence but with severe impact over the Group's activity. The approval of the scenarios to be considered in the ICAAP is also a responsibility of the Risks Assessment Committee.

In the third stage of the ICAAP, the impact of the main risks is modelled for the reference date and the capital requirements are calculated for that date. This uses a set of methodologies and internal models, formally approved and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of one year (which is lower for the trading portfolios, due to their nature).

For the prospective component, two scenarios are considered for the projection of the Group activity in a medium-term time horizon (3 years): a base scenario corresponding to the current vision of the Group's management and an adverse scenario that is extremely penalizing in terms of the macro-economic indicators, in order to test the Group's resilience under extreme scenarios and if it has adequate capital levels to cover the risks to which its activity may be subject to.

Some risks are incorporated in this framework as a capital add-on (in particular those considered to be non-material), while other are considered in terms of their P&L impacts.

Within the ICAAP for 2016, the Group has considered the following risks (as materially relevant ones, after mitigation effects, or considered within the scope of Pillar I):

Credit risk	Default risk
	Counterparty risk
	Issuer risk
	Sovereign risk
	Transfer risk
Concentration risk	Sectorial concentration
	Single name concentration
Liquidity risk	Assets illiquidity risk
Market risks	CVA risk
	FX risk of the banking book
	Interest rate risk of the banking book (IRRBB)
	Markets risks of the trading book
Business risk	Economic risk
	Strategy risk
	Financial holdings risk
Model risk	Regulatory risk
Operational risk	
Employment practices and safety at the workplace risk	
Processes risk of execution delivery and management	
Internal and external frauds risk	
Reputation risk	Reputation risk of the banking sector
Other risks	FX risk in Poland
	Reputation risk from insurance selling
	Exposure to the insurance sector risk
	Litigation risk
	Pension Fund risk
	Real estate market risk

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

After the estimation of impacts of the risks over P&L and the Group's balance-sheet – especially, in what concerns the Own Funds – the adequacy of the Group's Risk Taking Capacity (RTC) can be assessed, vis-à-vis the expected profile of its activity.

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, complemented with other capital instruments, this ensuring adequate conservatism levels in what concerns the approach to the projections of Consolidated Own Funds (Tier 1 and Tier 2).

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

Quarterly, the Bank updates the quantification of the ICAAP's main materially relevant risks, reporting these results to the management bodies. In case of significant changes in the Group's risk profile, the ICAAP model is fully deployed.

MODELS VALIDATION

The Models Monitoring and Validation Office (GAVM) was created in the first half of 2016, reporting to the EC member that is responsible for risk management. GAVM has incorporated the validation functions that were attributed to a previous structure unit and assumed further responsibilities within the scope of models' control, ensuring their respective registration and systematic monitoring.

GAVM's scope of action encompasses the credit risk systems and models (rating systems) and the market risks models, as well as the ICAAP validation, Hence, GAVM interacts with the owners of risk models and systems, with the Validation Committees and with the Risk Commission.

Along 2016, several validation and monitoring works were carried out, either in relation to models already used or concerning the extensions and changes within the framework of the established Group's roll-out plan for advanced models. These tasks aim at ensuring confidence regarding their respective performance and compliance with the regulatory provisions in force, as well as reinforcing the identification of changes to their predictive power (and reaction capabilities to those changes).

Within the scope of the models' monitoring, the Group participated in the Benchmarking and the TRIM (Targeted Review of Internal Models) regulatory exercises were answered. At the same time, a models' structure, with unique referencing recognized by different areas, was created, thus starting the creation of a complete model repository.

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

RECOVERY PLAN

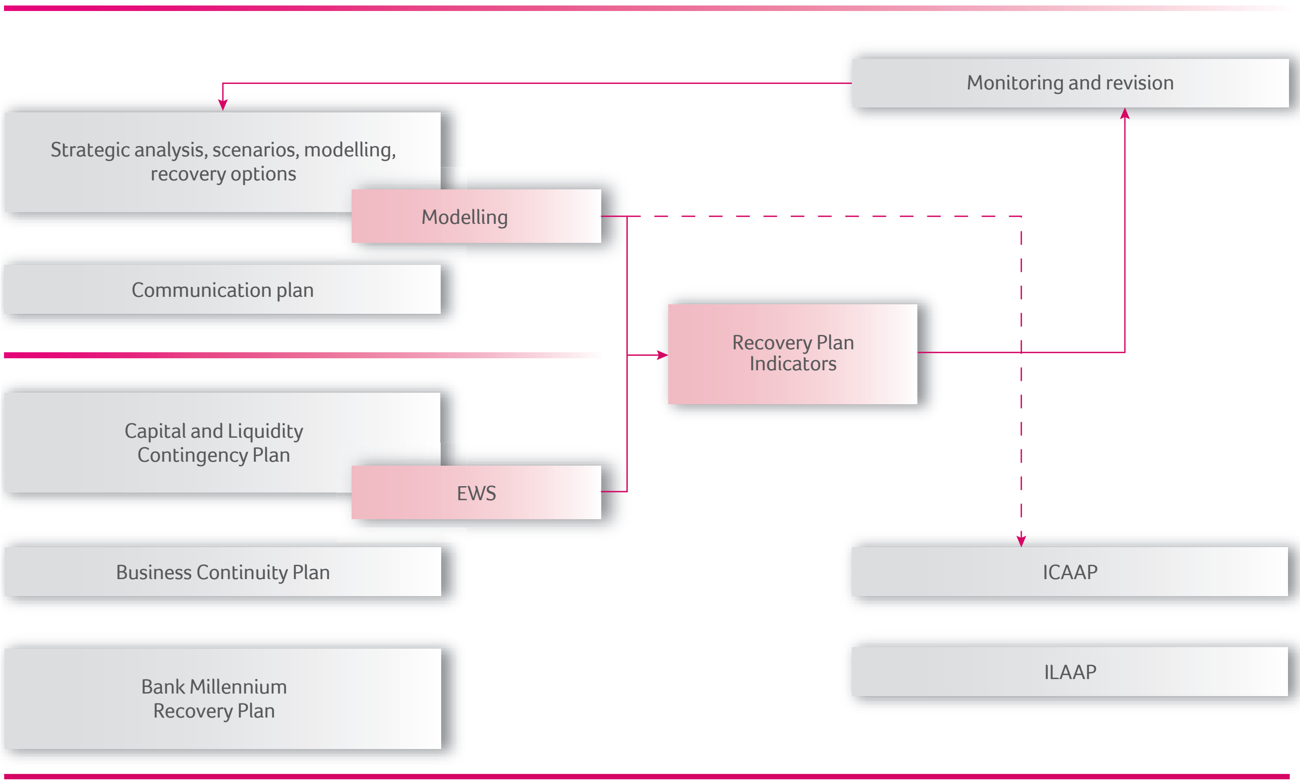
Complying with the applicable law – Directive 2014/59/EU and its transposition to the Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF) through Decree-Law 23-A/2015, from 26 March – the Group has drawn and annually revises a Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management actions whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), which are mandatorily reported to the Group's management and supervision bodies.

In effect, from the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment – in close connection with the Funding and Capital Plan (FCP) and stress testing exercises in which the Group has participated – and from the modelling of all variables and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The Recovery Plan is aligned with the Capital and Liquidity Contingency Plan (PCCL), which defines the priorities, responsibilities and specific measures to be taken in a liquidity contingency situation. It should be noted that the CLCP includes an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible capital and liquidity crisis.

The Recovery Plan is also aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and Stakeholders (in contingency situations), Bank Millennium's Recovery Plan (Poland) and the results from the capital and liquidity adequacy assessment processes already referred (ICAAP and ILAAP).

The following diagram shows, in brief, the main components of the Recovery Plan:



EXPOSURE TO ACTIVITIES AND PRODUCTS AFFECTED BY FINANCIAL CRISIS

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

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

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

The international financial crisis revealed structural imbalances in State expenditure in many jurisdictions of the world, including Greece, Ireland and Portugal. As at 31 December 2016, the Group's net exposure to Portuguese sovereign debt was 4.1 billion euros, net exposure to Italian sovereign debt was 51 million euros and net exposure to Spanish sovereign debt was 37 million euros. Of the total of 7.8 billion euros of consolidated public debt, 273 million euros was recorded under the portfolio of financial assets held for trading and 7.5 billion euros under the portfolio of financial assets available for sale and held to maturity. Further information on exposure to the sovereign debt of countries of the European Union in bailout situations is presented in Note 56 to the Consolidated Financial Statements.

The Group's accounting policies are described in Note 1 to the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2016. Further information on valuation of financial assets and risk management is presented in the Notes on Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, Other reserves and Retained earnings; Fair value and Risk Management in the Report referred to above.

INTERNAL CONTROL SYSTEM

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

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

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

The Internal Control System is based on:

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

THE RISK MANAGEMENT SYSTEM, THE INFORMATION AND REPORTING SYSTEM AND THE INTERNAL CONTROL MONITORING SYSTEM

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

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

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

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

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

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

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

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

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

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

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

COMPLIANCE WITH THE RECOMMENDATIONS[10] ON THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

	Page
I. BUSINESS MODEL	
1. Description of the business model (*i.e.* reasons for the development of the activities/ businesses and respective contribution to the process of creation of value) and, if applicable, of any changes made (for example as a result of the period of turbulence).	AR (Management Report) – Business Model, page 20-22; Governance Model, page 23-24; Review of the Business Areas, page 84-102
2. Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products).	AR (Management Report) – Vision, Mission and Strategy, page 52-53
3. Description of the importance of the activities developed and respective contribution to the business (including in quantitative terms).	AR (Management Report) – Review of the Business Areas, page 84-102; (Accounts and Notes to the Accounts) – Indicators of the Consolidated Balance Sheet and Income Statement by business and geographic segment
4. Description on the type of activities including a description of the instruments used, their operation and qualifying criteria that the products/investments must meet.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity
5. Description of the objective and extent of the involvement of the institution (*i.e.* commitments and obligations assumed) relative to each activity developed.	
II. RISKS AND RISK MANAGEMENT	
6. Description of the nature and extent of risks incurred in relation to the activities developed and instruments used.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Risk Management
7. Description of risk management practices (including, in particular, under current circumstances, liquidity risk) of relevance to the activities, description of any identified weaknesses and corrective measures that have been adopted. (In the current crisis, particular attention should be given to liquidity risk.)	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Risk Management
III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON EARNINGS	
8. Qualitative and quantitative description of earnings, focusing on losses (when applicable) and the impact of write-downs on earnings.	AR (Management Report) – Results and Balance Sheet, page 59-83; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale
9. Breakdown of write-downs/losses by type of product and instrument affected by the period of turbulence, namely, the following: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO) and asset-backed securities (ABS).	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
10. Description of the reasons and factors responsible for the impact incurred.	AR (Management Report) – Economic Environment, page 46-47
11. Comparison of (i) impacts between (relevant) periods; and (ii) financial statements before and after the impact of the period of turbulence.	AR (Management Report) – Results and Balance Sheet, page 59-83
12. Distribution of write-downs between unrealised and realised amounts.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Fair value reserves, other reserves and retained earnings
13. Description of the influence of the financial turbulence on the entity's share price.	AR (Management Report) – BCP Share, page 40-44
14. Disclosure of maximum loss risk and description how the institution's situation could be affected by the prolonging or exacerbation of the period of turbulence or by the market's recovery.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings
15. Disclosure of the impact that the evolution of the spread associated to the institution's own liabilities had on net income, as well as the methods used to determine this impact.	AR (Management Report) – Results and Balance Sheet, page 59-83; (Accounts and Notes to the Accounts) – Fair Value

(continues)

[10] Of the Financial Stability Board (FSB) and European Banking Authority (EBA).

(continuation)

	Page
IV. LEVELS AND TYPES OF EXPOSURE AFFECTED BY THE PERIOD OF TURBULENCE	
16. Nominal amount (or amortised cost) and fair values of "live" exposure.	AR (Management Report) – Information on exposure to activities and products affected by the recent financial crisis, page 123; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity
17. Information on mitigation of credit risk (*i.e.* through credit default swaps) and the respective effect on existing exposure.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
18. Detailed disclosure of exposure, with breakdown by: – Seniority level of exposure/tranches held; – Credit quality level (*i.e.* ratings, vintages); – Geographic origin; – Activity sector; – Source of the exposure (issued, retained or acquired); – Product characteristics: *i.e.* ratings, weight/portion of associated subprime assets, discount rates, spreads, funding; – Characteristics of the underlying assets: *i.e.* vintages, loan-to-value ratios, information on liens, weighted average life of the underlying asset, assumptions on the evolution of situations of prepayment, and expected losses.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
19. Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.).	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
20. Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
21. Exposure to monoline insurers and quality of the insured assets: – Nominal value (or amortised cost) of the insured exposure, as well as of the amount of acquired credit protection; – Fair values of "live" exposure, as well as the respective credit protection; – Value of write-downs and losses, differentiated between realised and unrealised amounts; – Breakdown of exposure by rating or counterpart.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123
V. ACCOUNTING POLICIES AND VALUATION METHODS	
22. Classification of the transactions and structured products for accounting purposes and the respective accounting treatment.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings; Fair value
23. Consolidation of Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 123; (Accounts and Notes to the Accounts) – Accounting Policies
24. Detailed disclosures on the fair value of financial instruments: – Financial instruments to which fair value is applied; – Hierarchy of fair value (breakdown of all exposure stated at fair value) and breakdown between liquid assets and derivative instruments, as well as disclosures on migration between hierarchical levels); – Treatment of day 1 profits (including quantitative information); – Use of the fair value option (including its conditions for use) and respective amounts (with appropriate breakdown).	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, other reserves and retained earnings; Fair Value
25. Description of modelling techniques used for the valuation of financial instruments, including information on: – Modelling techniques and instruments to which they are applied; – Valuation processes (including, in particular, assumptions and inputs underlying the models); – Types of adjustment applied to reflect model risk and other valuation uncertainties; – Sensitivity of the fair value (namely to variations in key assumptions and inputs); – Stress scenarios.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Fair Value; Risk Management
VI. OTHER RELEVANT ASPECTS IN DISCLOSURES	
26. Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	AR (Management Report) – Risk Management, page 106-122; (Accounts and Notes to the Accounts) – Accounting Policies; Fair Value; Risk Management

SUPPLEMENTARY INFORMATION

MILLENNIUM MEETINGS FOR BUSINESS

Millennium bcp understands the importance of proximity, of taking a personal approach to our Customers. We meet regularly with our business Customers at events held all over the country. In these Millennium Meetings, our Board Members and senior bankers are available to explain our strategy and listen to our Customers and potential Customers explain their needs.

FINANCIAL STATEMENTS FOR 2016

(Thousand euros)

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015

	2016	2015 (restaded)
Interest and similar income	**1,909,997**	2,158,966
Interest expense and similar charges	**(679,871)**	(968,367)
NET INTEREST INCOME	**1,230,126**	1,190,599
Dividends from equity instruments	**7,714**	9,652
Net fees and commission income	**643,834**	660,255
Net gains/losses arising from trading and hedging activities	**101,827**	118,195
Net gains/losses arising from available for sale financial assets	**138,540**	421,214
Net gains from insurance activity	**4,966**	10,227
Other operating income / (costs)	**(104,547)**	(98,158)
TOTAL OPERATING INCOME	**2,022,460**	2,311,984
Staff costs	**356,602**	573,929
Other administrative costs	**373,570**	389,295
Depreciation	**49,824**	54,078
OPERATING COSTS	**779,996**	1,017,302
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	**1,242,464**	1,294,682
Loans impairment	**(1,116,916)**	(817,808)
Other financial assets impairment	**(274,741)**	(56,675)
Other assets impairment	**(66,926)**	(79,667)
Goodwill impairment	**(51,022)**	-
Other provisions	**(88,387)**	(23,735)
OPERATING NET INCOME / (LOSS)	**(355,528)**	316,797
Share of profit of associates under the equity method	**80,525**	23,528
Gains/(losses) from the sale of subsidiaries and other assets	**(6,277)**	(32,006)
NET (LOSS)/INCOME BEFORE INCOME TAX	**(281,280)**	308,319
Income tax		
Current	**(113,425)**	(91,355)
Deferred	**495,292**	53,670
NET (LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	**100,587**	270,634
Income arising from discontinued operations	**45,228**	90,327
NET INCOME AFTER INCOME TAX	**145,815**	360,961
Attributable to:		
Shareholders of the Bank	**23,938**	235,344
Non-controlling interests	**121,877**	125,617
NET INCOME FOR THE YEAR	**145,815**	360,961
Earnings per share (in euros)		
Basic	**0.019**	0.232
Diluted	**0.019**	0.232

(Thousand euros)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 AND 2015

	31 December 2016	31 December 2015
ASSETS		
Cash and deposits at Central Banks	**1,573,912**	1,840,317
Loans and advances to credit institutions		
Repayable on demand	**448,225**	776,413
Other loans and advances	**1,056,701**	921,648
Loans and advances to customers	**48,017,602**	51,970,159
Financial assets held for trading	**1,048,797**	1,188,805
Other financial assets held for trading at fair value through profit or loss	**146,664**	152,018
Financial assets available for sale	**10,596,273**	10,779,030
Assets with repurchase agreement	**20,525**	-
Hedging derivatives	**57,038**	73,127
Financial assets held to maturity	**511,181**	494,891
Investments in associated companies	**598,866**	315,729
Non-current assets held for sale	**2,250,159**	1,765,382
Investment property	**12,692**	146,280
Property and equipment	**473,866**	670,871
Goodwill and intangible assets	**162,106**	210,916
Current tax assets	**17,465**	43,559
Deferred tax assets	**3,184,925**	2,561,506
Other assets	**1,087,814**	974,228
TOTAL ASSETS	**71,264,811**	74,884,879
LIABILITIES		
Amounts owed to credit institutions	**9,938,395**	8,591,045
Amounts owed to customers and other loans	**48,797,647**	51,538,583
Debt securities issued	**3,512,820**	4,768,269
Financial liabilities held for trading	**547,587**	723,228
Hedging derivatives	**383,992**	541,230
Provisions	**321,050**	284,810
Subordinated debt	**1,544,555**	1,645,371
Current income tax liabilities	**35,367**	22,287
Deferred income tax liabilities	**2,689**	14,810
Other liabilities	**915,528**	1,074,675
TOTAL LIABILITIES	**65,999,630**	69,204,308
EQUITY		
Share capital	**4,268,818**	4,094,235
Treasury shares	**(2,880)**	(1,187)
Share premium	**16,471**	16,471
Preference shares	**59,910**	59,910
Other capital instruments	**2,922**	2,922
Legal and statutory reserves	**245,875**	223,270
Fair value reserves	**(130,632)**	23,250
Reserves and retained earnings	**(102,306)**	(31,046)
Net income for the year attributable to Shareholders	**23,938**	235,344
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**4,382,116**	4,623,169
Non-controlling interests	**883,065**	1,057,402
TOTAL EQUITY	**5,265,181**	5,680,571
	71,264,811	74,884,879

PROPOSED APPLICATION OF RESULTS

Considering:

A. The provisos of the law and of the by-laws concerning the Legal Reserve;
B. That in the financial year of 2016, Banco Comercial Português, S.A registered consolidated net earnings amounting to 23,937,690.21 euros and individual net earnings amounting to 69,308,443.65 euros,

It is proposed

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b), both of the Companies Code, the appropriation of the individual net earnings on the individual balance sheet, amounting to 69,308,443.65 euros, as follows:

- 6,930,844.37 euros for reinforcement of the Legal Reserve;
- 62,377,599.28 euros for Retained Earnings.

Lisbon, 10 April 2017

António Vítor Martins Monteiro
(Chairman)

Carlos José da Silva
(Vice-Chairman)

Nuno Manuel da Silva Amado
(Vice-Chairman)

Álvaro Roque de Pinho de Bissaia Barreto
(Member)

André Magalhães Luiz Gomes
(Member)

António Henriques de Pinho Cardão
(Member)

António Luís Guerra Nunes Mexia
(Member)

Cidália Maria Mota Lopes
(Member)

Jaime de Macedo Santos Bastos
(Member)

João Manuel de Matos Loureiro
(Member)

José Jacinto Iglésias Soares
(Member)

José Miguel Bensliman Schorcht
da Silva Pessanha
(Member)

Maria da Conceição Mota Soares
de Oliveira Callé Lucas
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Miguel Maya Dias Pinheiro
(Member)

Raquel Rute da Costa David Vunge
(Member)

Rui Manuel da Silva Teixeira
(Member)

GLOSSARY

Capitalisation products – includes unit-linked saving products and retirement saving plans ("PPR", "PPE" and "PPR/E").
Commercial gap – total loans to customers net of BS impairments accumulated minus on-balance sheet customer funds.
Cost of risk, gross (expressed in b.p.) – ratio of impairment charges accounted in the period to customer loans (gross).
Cost of risk, net (expressed in b.p.) – ratio of impairment charges (net of recoveries) accounted to customer loans (gross).
Cost-to-income – operating costs divided by net operating revenues.
Cost to core income – operating costs divided by the net interest income and net fees and commission income.
Core income – net interest income plus net fees and commission income.
Core net income – corresponding to net interest income plus net commissions deducted from operating costs.
Coverage of credit at risk by balance sheet impairments – total BS impairments accumulated for risks of credit divided by credit at risk (gross).
Coverage of credit at risk by balance sheet impairments and real/financial guarantees – total BS impairments accumulated for risks of credit plus real and financial guarantees divided by credit at risk (gross).
Coverage of non-performing loans by balance sheet impairments – total BS impairments accumulated for risks of credit divided by NPL.
Credit at risk – definition broader than the non-performing loans which includes also restructured loans whose changes from initial terms have resulted in the Bank being in a higher risk position than previously; restructured loans which have resulted in the Bank becoming in a lower risk position (*e.g.* reinforced collateral) are not included in credit at risk.
Credit at risk (net) – credit at risk deducted from BS impairments accumulated for risks of credit.
Customer spread – difference between the spread on the loans to customers book over 3 months Euribor and the spread on the customers' deposits portfolio over 3 months Euribor.
Debt securities – debt securities issued by the Bank and placed with customers.
Dividends from equity instruments – dividends received from investments in financial assets held for trading and available for sale.
Equity accounted earnings – results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.
Loan book spread – average spread on the loan portfolio over 3 months Euribor.
Loans losses reserves – total BS impairments.
Loans more than 90 days overdue coverage – total BS impairments accumulated for risk of credit divided by total amount of loans overdue with instalments of capital and interest overdue more than 90 days.
Loan to value ratio (LTV) – mortgage amount divided by the appraised value of property.
Loan to Deposits ratio (LTD) – total loans to customers net of accumulated BS impairments for risks of credit to total customer deposits.
Net interest margin – net interest income for the period as a percentage of average interest earning assets.
Net operating revenues – net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.
Net trading income – net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.
Non-performing exposures (according to EBA definition) – non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired. Considers also all the exposures if the on-BS 90 days past due reaches 20% of the outstanding amount of total on-BS exposure of the debtor, even if no pull effect is used for default or impairment classification. Includes also the loans in quarantine period over which the debtor has to prove its ability to meet the restructured conditions, even if forbearance has led to the exit form default or impairments classes.
Non-performing exposures coverage ratio – total BS impairments plus collaterals and expected loss gap divided by non-performing exposures.
Non-performing loans – overdue loans more than 90 days including the non-overdue remaining principal of loans, *i.e.* portion in arrears, plus non-overdue remaining principal.
Non-performing loans coverage ratio – total BS impairments accumulated for credit risk divided by overdue and doubtful loans divided.

Non-performing loans ratio (net) – loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes less BS impairments accumulated for credit risk divided by total loans (gross).
Operating costs – staff costs, other administrative costs and depreciation.
Other impairment and provisions – other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.
Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.
Other net operating income – other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.
Overdue and doubtful loans – loans overdue by more than 90 days and the doubtful loans reclassified as overdue loans for provisioning purposes.
Overdue loans – loans in arrears, not including the non-overdue remaining principal.
Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of loans overdue with instalments of capital and interest overdue.
Return on average assets (ROA) – net income divided by the average total assets.
Return on equity (ROE) – net income divided by the average attributable equity, deducted from preference shares and other capital instruments.
Securities portfolio – financial assets held for trading, financial assets available for sale, assets with repurchase agreement, financial assets held to maturity and other financial assets held for trading at fair value through net income.
Spread on term deposits portfolio – average spread on terms deposits portfolio over 3 months Euribor.
Tangible Equity – Shareholders equity minus goodwill and intangible assets.
Texas ratio – non-performing exposures divided by the sum of Tangible equity and Loan Losses Reserves *i.e.* NPE/(Tangible equity + LLRs).
Total customer funds – amounts due to customers (including debt securities), assets under management and capitalisation products.
Total operating income – net interest income, dividends from equity instruments, net fees and commissions income, trading income, equity accounted earnings and other operating income.

Porto Salvo, 10 April 2017

The Board of Directors

ACCOUNTS AND NOTES TO CONSOLIDATED ACCOUNTS 2016

SHARED ART
Millennium bcp's Foundation continues its work providing essential support to the community around us, with an emphasis on art and culture, education and social responsibility.

(Thousand of Euros)

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Notes	2016	2015 (restated)
Interest and similar income	3	**1,909,997**	2,158,966
Interest expense and similar charges	3	**(679,871)**	(968,367)
NET INTEREST INCOME		**1,230,126**	1,190,599
Dividends from equity instruments	4	**7,714**	9,652
Net fees and commissions income	5	**643,834**	660,255
Net gains / (losses) arising from trading and hedging activities	6	**101,827**	118,195
Net gains / (losses) arising from financial assets available for sale	7	**138,540**	421,214
Net gains from insurance activity		**4,966**	10,227
Other operating income / (costs)	8	**(104,547)**	(98,158)
TOTAL OPERATING INCOME		**2,022,460**	2,311,984
Staff costs	9	**356,602**	573,929
Other administrative costs	10	**373,570**	389,295
Amortizations	11	**49,824**	54,078
TOTAL OPERATING EXPENSES		**779,996**	1,017,302
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		**1,242,464**	1,294,682
Loans impairment	12	**(1,116,916)**	(817,808)
Other financial assets impairment	13	**(274,741)**	(56,675)
Other assets impairment	27 and 32	**(66,926)**	(79,667)
Goodwill impairment	30	**(51,022)**	-
Other provisions	14	**(88,387)**	(23,735)
OPERATING NET INCOME / (LOSS)		**(355,528)**	316,797
Share of profit of associates under the equity method	15	**80,525**	23,528
Gains / (losses) arising from the sale of subsidiaries and other assets	16	**(6,277)**	(32,006)
NET INCOME / (LOSS) BEFORE INCOME TAXES		**(281,280)**	308,319
Income taxes			
Current	31	**(113,425)**	(91,355)
Deferred	31	**495,292**	53,670
INCOME AFTER INCOME TAXES FROM CONTINUING OPERATIONS		**100,587**	270,634
Income arising from discontinued or discontinuing operations	17	**45,228**	90,327
NET INCOME AFTER INCOME TAXES		**145,815**	360,961
Net income / (loss) for the year attributable to:			
Shareholders of the Bank		**23,938**	235,344
Non-controlling interests	44	**121,877**	125,617
NET INCOME FOR THE YEAR		**145,815**	360,961
Earnings per share (in Euros)	18		
Basic		**0.019**	0.232
Diluted		**0.019**	0.232

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousand of Euros)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

	2016								
	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the year	(281,280)	381,867	100,587	50,356	(5,128)	45,228	145,815	23,938	121,877
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT									
Fair value reserves	(238,137)	59,653	(178,484)	586	(176)	410	(178,074)	(152,163)	(25,911)
Reversal of the fair value reserves of Banco Millennium Angola, S.A.(*)	-	-	-	(4,902)	1,471	(3,431)	(3,431)	(1,719)	(1,712)
Exchange differences arising on consolidation	(152,683)	-	(152,683)	(76,219)	-	(76,219)	(228,902)	(120,816)	(108,086)
Reversal of the exchange differences arising on consolidation of Banco Millennium Angola, S.A.(*)	-	-	-	156,794	-	156,794	156,794	78,554	78,240
	(390,820)	59,653	(331,167)	76,259	1,295	77,554	(253,613)	(196,144)	(57,469)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT									
Actuarial losses for the year									
BCP Pensions Fund	(302,644)	69,290	(233,354)	-	-	-	(233,354)	(233,354)	-
Actuarial losses from other subsidiaries and associated companies	(1,061)	(61)	(1,122)	-	-	-	(1,122)	(781)	(341)
	(303,705)	69,229	(234,476)	-	-	-	(234,476)	(234,135)	(341)
Other comprehensive (loss) / income	(694,525)	128,882	(565,643)	76,259	1,295	77,554	(488,089)	(430,279)	(57,810)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(975,805)	510,749	(465,056)	126,615	(3,833)	122,782	(342,274)	(406,341)	64,067

(*) Under the scope of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

See accompanying notes to the consolidated financial statements.

(Thousand of Euros)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

	2015 (restated)								
	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the year	308,319	(37,685)	270,634	109,382	(19,055)	90,327	360,961	235,344	125,617
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT									
Fair value reserves	(106,578)	34,793	(71,785)	(439)	132	(307)	(72,092)	(91,139)	19,047
Reversal of the fair value reserves of Bank Millennium, S.A.(**)	-	-	-	-	-	-	-	7,491	(7,491)
Exchange differences arising on consolidation	(100,095)	-	(100,095)	(55,414)	-	(55,414)	(155,509)	(84,038)	(71,471)
Reversal of the exchange differences arising on consolidation of Bank Millennium, S.A.(**)	4,561	-	4,561	-	-	-	4,561	4,561	-
	(202,112)	34,793	(167,319)	(55,853)	132	(55,721)	(223,040)	(163,125)	(59,915)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT									
Actuarial losses for the year									
BCP Pensions Fund	(110,706)	86,425	(24,281)	(71)	17	(54)	(24,335)	(24,335)	-
Actuarial losses from other subsidiaries and associated companies	85	-	85	-	-	-	85	287	(202)
	(110,621)	86,425	(24,196)	(71)	17	(54)	(24,250)	(24,048)	(202)
Other comprehensive (loss) / income	(312,733)	121,218	(191,515)	(55,924)	149	(55,775)	(247,290)	(187,173)	(60,117)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(4,414)	83,533	79,119	53,458	(18,906)	34,552	113,671	48,171	65,500

(**) Under the scope of the disposal of 15.41% of Bank Millennium S.A. (Poland)

See accompanying notes to the consolidated financial statements.

(Thousand of Euros)

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2016 AND 2015

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and deposits at Central Banks	19	**1,573,912**	1,840,317
Loans and advances to credit institutions			
Repayable on demand	20	**448,225**	776,413
Other loans and advances	21	**1,056,701**	921,648
Loans and advances to customers	22	**48,017,602**	51,970,159
Financial assets held for trading	23	**1,048,797**	1,188,805
Other financial assets held for trading at fair value through profit or loss	23	**146,664**	152,018
Financial assets available for sale	23	**10,596,273**	10,779,030
Assets with repurchase agreement		**20,525**	-
Hedging derivatives	24	**57,038**	73,127
Financial assets held to maturity	25	**511,181**	494,891
Investments in associated companies	26	**598,866**	315,729
Non-current assets held for sale	27	**2,250,159**	1,765,382
Investment property	28	**12,692**	146,280
Other tangible assets	29	**473,866**	670,871
Goodwill and intangible assets	30	**162,106**	210,916
Current tax assets		**17,465**	43,559
Deferred tax assets	31	**3,184,925**	2,561,506
Other assets	32	**1,087,814**	974,228
TOTAL ASSETS		**71,264,811**	74,884,879
LIABILITIES			
Resources from credit institutions	33	**9,938,395**	8,591,045
Resources from costumers	34	**48,797,647**	51,538,583
Debt securities issued	35	**3,512,820**	4,768,269
Financial liabilities held for trading	36	**547,587**	723,228
Hedging derivatives	24	**383,992**	541,230
Provisions	37	**321,050**	284,810
Subordinated debt	38	**1,544,555**	1,645,371
Current tax liabilities		**35,367**	22,287
Deferred tax liabilities	31	**2,689**	14,810
Other liabilities	39	**915,528**	1,074,675
TOTAL LIABILITIES		**65,999,630**	69,204,308
EQUITY			
Share capital	40	**4,268,818**	4,094,235
Share premium	40	**16,471**	16,471
Preference shares	40	**59,910**	59,910
Other equity instruments	40	**2,922**	2,922
Legal and statutory reserves	41	**245,875**	223,270
Treasury shares	42	**(2,880)**	(1,187)
Fair value reserves	43	**(130,632)**	23,250
Reserves and retained earnings	43	**(102,306)**	(31,046)
Net income for the year attributable to Shareholders		**23,938**	235,344
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		**4,382,116**	4,623,169
Non-controlling interests	44	**883,065**	1,057,402
TOTAL EQUITY		**5,265,181**	5,680,571
		71,264,811	74,884,879

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

(Thousand of Euros)

CONSOLIDATED STATEMENTS OF CASH-FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
CASH-FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	**1,770,704**	2,189,498
Commissions received	**787,068**	850,019
Fees received from services rendered	**63,003**	79,755
Interests paid	**(667,682)**	(1,061,619)
Commissions paid	**(89,798)**	(203,186)
Recoveries on loans previously written off	**33,867**	29,726
Net earned insurance premiums	**13,744**	28,622
Claims incurred of insurance activity	**(9,214)**	(10,438)
Payments to suppliers and employees	**(929,400)**	(1,453,636)
Income taxes (paid) / received	**(57,941)**	(98,847)
	914,351	349,894
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	**(106,683)**	518,599
Deposits held with purpose of monetary control	**59,473**	(94,538)
Loans and advances to customers receivable	**1,788,925**	673,511
Short-term trading account securities	**52,033**	332,709
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	**(28,040)**	(76,622)
Deposits from credit institutions with agreed maturity date	**1,423,509**	(2,247,785)
Deposits from clients repayable on demand	**2,357,657**	3,750,799
Deposits from clients with agreed maturity date	**(3,369,608)**	(1,953,456)
	3,091,617	1,253,111
CASH-FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies which results loss control(*)	**(496,194)**	18,551
Dividends received	**47,085**	46,319
Interest income from available for sale financial assets and held to maturity financial assets	**212,042**	325,517
Sale of available for sale financial assets and held to maturity financial assets	**5,617,817**	12,572,774
Acquisition of available for sale financial assets and held to maturity financial assets	**(29,050,145)**	(65,920,453)
Maturity of available for sale financial assets and held to maturity financial assets	**22,239,293**	52,626,182
Acquisition of tangible and intangible assets	**(69,281)**	(90,824)
Sale of tangible and intangible assets	**15,581**	38,732
Decrease / (increase) in other sundry assets	**(518,526)**	72,639
	(2,002,328)	(310,563)

(continues)

See accompanying notes to the consolidated financial statements.

(continuation) (Thousand of Euros)

CONSOLIDATED STATEMENTS OF CASH-FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
CASH-FLOWS ARISING FROM FINANCING ACTIVITIES		
Sale of shares in subsidiaries companies which does not results loss control	-	301,754
Issuance of subordinated debt	6,705	657
Reimbursement of subordinated debt	(121,210)	(16,403)
Issuance of debt securities	188,936	309,586
Reimbursement of debt securities	(1,513,220)	(1,416,446)
Issuance of commercial paper and other securities	57,588	120,558
Reimbursement of commercial paper and other securities	(19,202)	(5,240)
Share capital increase	174,582	-
Dividends paid to non-controlling interests	(20,907)	(10,157)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(365,046)	(72,769)
	(1,611,774)	(788,460)
Exchange differences effect on cash and equivalents	(72,108)	(150,948)
Net changes in cash and equivalents	(594,593)	3,140
Cash and equivalents at the beginning of the year	1,401,724	1,398,584
Deposits at Central Banks (note 19)	1,215,006	-
	2,616,730	1,398,584
Cash (note 19)	540,290	625,311
Deposits at Central Banks (note 19)	1,033,622	-
Loans and advances to credit institutions repayable on demand (note 20)	448,225	776,413
CASH AND EQUIVALENTS AT THE END OF THE YEAR	2,022,137	1,401,724

[*] Due for the fact in 2016 Banco Millennium Angola, S.A. was considered as discontinued operation, the respectively values net of intra-group operations, were incorporated in the cash flows arising from investing activities.

See accompanying notes to the consolidated financial statements.

(Thousand of Euros)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value and cash-flow hedge reserves	Reserves and retained earnings	Net (loss) / income for the year	Equity attributed to the Shareholders of the Bank	Non-controlling interests (note44)	Total equity
BALANCE AS AT 31 DECEMBER 2014	3.706.690	-	171.175	9.853	223.270	(13.547)	106.898	234.817	(226.620)	4.212.536	774.371	4.986.907
NET INCOME FOR THE YEAR	-	-	-	-	-	-	-	-	235,344	235,344	125,617	360,961
Fair value reserves	-	-	-	-	-	-	(91,139)	-	-	(91,139)	19,047	(72,092)
Reversal of fair value reserves of Bank Millennium S.A.[a]	-	-	-	-	-	-	7,491	-	-	7,491	(7,491)	-
Actuarial losses	-	-	-	-	-	-	-	(24,048)	-	(24,048)	(202)	(24,250)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(84,038)	-	(84,038)	(71,471)	(155,509)
Reversal of the exchange differences arising on consolidation of Bank Millennium S.A.[a]	-	-	-	-	-	-	-	4,561	-	4,561	-	4,561
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(83,648)	(103,525)	235,344	48,171	65,500	113,671
Transfers to reserves:												
Results application	-	-	-	-	-	-	-	(226,620)	226,620	-	-	-
Share capital increase by securities exchange (note 40)	387,545	16,471	(111,265)	(6,931)	-	-	-	-	-	285,820	-	285,820
Costs related to the share capital increase	-	-	-	-	-	-	-	(1,173)	-	(1,173)	-	(1,173)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	247	-	247	-	247
Dividends [b]	-	-	-	-	-	-	-	-	-	-	(10,157)	(10,157)
Disposal of 15.41% of Bank Millennium S.A.	-	-	-	-	-	-	-	30,988	-	30,988	227,910	258,898
Treasury shares (note 42)	-	-	-	-	-	12,360	-	34,468	-	46,828	-	46,828
Other reserves (note 43)	-	-	-	-	-	-	-	(248)	-	(248)	(222)	(470)
BALANCE AS AT 31 DECEMBER 2015	4,094,235	16,471	59,910	2,922	223,270	(1,187)	23,250	(31,046)	235,344	4,623,169	1,057,402	5,680,571
Net income for the year	-	-	-	-	-	-	-	-	23,938	23,938	121,877	145,815
Fair value reserves	-	-	-	-	-	-	(152,163)	-	-	(152,163)	(25,911)	(178,074)
Reversal of fair value reserves of Banco Millennium Angola, S.A.[c]	-	-	-	-	-	-	(1,719)	-	-	(1,719)	(1,712)	(3,431)
Actuarial losses	-	-	-	-	-	-	-	(234,135)	-	(234,135)	(341)	(234,476)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(120,816)	-	(120,816)	(108,086)	(228,902)
Reversal of the exchange diferences arising on consolidation of Banco Millennium Angola, S.A.[c]	-	-	-	-	-	-	-	78,554	-	78,554	78,240	156,794
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	-	(153,882)	(276,397)	23,938	(406,341)	64,067	(342,274)
Transfers of reserves:												
Legal reserve (note 41)	-	-	-	-	22,605	-	-	-	(22,605)	-	-	-
Results application	-	-	-	-	-	-	-	212,739	(212,739)	-	-	-
Increase in capital (note 40)	174,583	-	-	-	-	-	-	-	-	174,583	-	174,583
Regrouping of shares (note 47)	-	-	-	-	-	-	-	(1,047)	-	(1,047)	-	(1,047)
Costs related to the share capital increase	-	-	-	-	-	-	-	(6,437)	-	(6,437)	-	(6,437)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	1,352	-	1,352	-	1,352
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	-	-	-	-	-	-	-	(210,395)	(210,395)
Dividends [d]	-	-	-	-	-	-	-	-	-	-	(20,907)	(20,907)
Treasury shares (note 42)	-	-	-	-	-	(1,693)	-	1	-	(1,692)	-	(1,692)
Other reserves (note 43)	-	-	-	-	-	-	-	(1,471)	-	(1,471)	(7,102)	(8,573)
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	59,910	2,922	245,875	(2,880)	(130,632)	(102,306)	23,938	4,382,116	883,065	5,265,181

[a] Under the scope of the disposal of 15.41% of Bank Millennium S.A. (Poland)
[b] Dividends of BIM – Banco Internacional de Moçambique, S.A. and SIM – Seguradora Internacional de Moçambique, S.A.R.L.
[c] Under the scope of the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.
[d] Dividends of Banco Millennium Angola S.A., BIM – Banco Internacional de Moçambique, S.A. and SIM – Seguradora Internacional de Moçambique, S.A.R.L.

See accompanying notes to the consolidated financial statements.

1. ACCOUNTING POLICIES

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended 31 December 2016 and 2015.

In accordance with Regulation (EC) no. 1606 / 2002 from the European Parliament and the Council, of 19 July 2002 and Bank of Portugal Notice no. 1 / 2005 (revoked by Bank of Portugal Notice no. 5 / 2015), the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union ('EU') since 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The consolidated financial statements presented were approved on 10 April 2017 by the Bank's Board of Directors. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

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

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

The consolidated financial statements for the year ended 31 December 2016 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2016, as referred in note 54. The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

As mentioned in note 47, the Banco Comercial Português, S.A. agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., and therefore this entity was considered as a discontinued operation since 31 March 2016. With reference to 31 December 2015, the total assets and liabilities of this subsidiary were accounted on the consolidated balance on the respective lines, as for the income and expenses of the year with reference to December 2016 and 2015, were presented in a single line denominated Income arising from discontinued and discontinuing operations.

After the completion of the merger, which occurred in 30 April 2016, the assets and liabilities of Banco Millennium Angola, S.A. stopped being considered in the consolidated balance sheet and the investment in Banco Millennium Atlântico is now registered as an associate, as referred in note 26. This fact should be taken into account for comparative analysis purposes, as detailed in note 58, namely in the "Consolidated Income Statements" and "Consolidated Statements of Comprehensive Income".

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

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 ad).

b) Basis of consolidation

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

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

Investments in subsidiaries

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

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

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

Investments in associates

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

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:
– Representation on the Board of Directors or equivalent governing body of the investee;
– Participation in policy-making processes, including participation in decisions about dividends or other distributions;
– Material transactions between the Group and the investee;
– Interchange of the management team;
– Provision of essential technical information.

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

Goodwill

Business combinations are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed. Costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

Positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

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

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

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

Purchases and dilution of non-controlling interests

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

Loss of control

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

In the dilutions of controlling interests not resulting in a loss of control, the difference between the fair value of the non--controlling interests acquired and the acquisition value, is accounted against reserves.

Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date. The exchange rates used by the Group are discriminated in note 52.

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

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

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

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

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

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

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

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

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

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

(i) Individually assessed loans
Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:
– Group's aggregate exposure to the customer and the existence of overdue loans;
– The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
– The existence, nature and estimated value of the collaterals;
– A significant downgrading in the customer's rating;
– The assets available on liquidation or insolvency situations;
– The ranking of all creditors claims;
– The amount and timing of expected receipts and recoveries.

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

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

(ii) Collective assessment
Impairment losses are calculated on a collective basis under two different scenarios:
– For homogeneous groups of loans that are not considered individually significant; or
– Losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:
– Historical loss experience in portfolios with similar risk characteristics;
– Knowledge of the current economic and credit conditions and its impact on the historical losses level; and
– The estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash-flows are reviewed regularly by the Group.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers are written-off when there is no realistic expectation, from an economic perspective, and for collateralised loans when the funds from the realization of the collateral have already been received, by the use of impairment losses when they correspond to 100% of the value of the credits considered as non-recoverable.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement
Financial assets are recognized on the trade date, thus, in the date that the Group commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading
The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short-term, namely bonds, treasury bills or shares, those which are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Net gains / (losses) arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss (Fair Value Option)

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in the note Net gains / (losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) may be performed whenever at least one of the following requirements is fulfilled:

- The financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of the transactions;
- The financial assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Group in the normal course of its business are in market conditions, the assets and liabilities financial instruments at fair value through profit or loss are recognised initially at their fair value, with the costs or income associated with the transactions recognised in results at the initial moment, with subsequent changes in fair value recognized in profit or loss. Patrimonial variations in the fair value are recorded in Net gains / (losses) arising from trading and hedging activities (note 6). The accrual of interest and the premium / discount (when applicable) is recognised in the Net interest income based on the effective interest rate of each transaction, as well as the accrual of interest from derivatives associated with financial instruments classified in this category.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves. On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not framed in the exceptions stated by the rules, will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables – Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

The Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

(ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash-flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the one year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there is no reversal in profit and losses).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

6) Securitizations operations

(i) Traditional securitizations

The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No. 1, No. 2, No. 3 e No. 4) which portfolios were accounted derecognized of the individual balance of the Bank, because of the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

As referred in note 22, with the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No. 2 e No. 3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1 b).

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to an SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

(ii) Synthetic securitizations

The Group has two synthetic operations. Caravela SME No. 3, which liquidation occurred in 28 June 2013, based on a medium and long--term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No. 4 is a similar operation, initiated in 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

– At the inception of the hedge there is formal documentation of the hedge;
– The hedge is expected to be highly effective;
– The effectiveness of the hedge can be reliably measured;
– The hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
– For hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash-flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of interest rate risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash-flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash-flow hedges are recognised in equity – cash-flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

– Deferred over the residual period of the hedged instrument; or
– Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables – Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short-term, that is, the event can be classified as a rare circumstance. The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables – Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Other financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair Value Option) are prohibited.

The analysis of the reclassifications is detailed in note 23 – Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale and in note 25 – Financial assets held to maturity.

g) Derecognition

The Group derecognises financial assets when all rights to future cash-flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition / sale of securities under reselling / repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos' / 'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions. The difference between the acquisition / sale and reselling / repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

k) Non-current assets held for sale and discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non--current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable. To be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and the actions required to complete the plan should indicate the changes of improbability significant in the plan or the plan was withdrawn.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued or discontinuing operations and the subsidiaries acquired exclusively with the purpose to sell in the short-term are consolidated until the moment of its sale.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by valuation experts properly accredited. The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell, not subjected to depreciation. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Lease transactions

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category, are measured in accordance with the accounting policy defined in note 1k).

Operational Leases

At the lessee's perspective, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

m) Interest recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash-flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash-flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:

- Interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

n) Recognition of income from services and commissions

Income from services and commissions are recognised according to the following criteria:

- When are earned as services are provided, are recognised in income over the period in which the service is being provided;
- When are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes the gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

r) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long-term basis and not its sale in a short-term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as Other operating income / (costs).

The expertises responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

s) Intangible Assets

Research and development expenditure
The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software
The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

t) Cash and equivalentes
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

u) Offsetting
Financial assets and liabilities are offset and recognised at their net book value when: i) the Group has a legal right to offset the amounts recognised and transactions can be settled at their net value; and ii) the Group intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Group, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: a) the nature of the reclassification; b) the amount of each item (or class of items) reclassified and c) the reason for the reclassification.

v) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

w) Employee benefits

(i) Defined benefit plans
The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans "Plano ACT" and "Plano ACTQ" of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP ("Instituto de Seguros de Portugal" – Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A / 2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('Caixa de Abono de Família dos Empregados Bancários') which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labor Agreement ("Acordo Colectivo de Trabalho").

Following the approval by the Government of the Decree-Law no. 127 / 2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the "Instrumento de Regulação Colectiva de Trabalho (IRCT – Instrument of Collective Regulation of Work)" of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the Workers' Trade Unions, " Federação dos Sindicatos Independentes da Banca"and" Federação Nacional do Sector Financeiro". The new ACT has already been published by the Ministry of Labor in Bulletin of Labor and Employment.

Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new ACT, but did not formalize until 31 December 2016, the acceptance of the amendments to the ACT and as such the Bank did not recognize in its 2016 accounts the impact of changes from ACT to employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, the change in the formula for determining the employer's contribution to the SAMS and a new benefit and retirement program called the End of Career Award that replaces the Seniority Award (note 49).

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and recognised in the income statement for the year under "Staff costs ".

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Unit Credit Projected method and actuarial assumptions considered adequate (note 49).

Pension liabilities are calculated by the responsible actuary, who is certified by the Insurance Supervision Authority and Pension Fund (ASF).

The Group's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

Extra-fund liability refers to pension supplements allocated to various employees under the retirements negotiation processes with the aim of encouraging them to join staff reduction programs.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

(ii) Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2016, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labor Agreement of the BCP Group, and does not have a performance criterion.

(iii) Share based compensation plan

As at 31 December 2016 there are no share based compensation plans in force.

(iv) Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

x) Income taxes

The Group is subject to the regime established by the Income Tax Code (CIRC). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, a group of entities of the BCP Group adhered to the Special Regime for the Taxation of Groups of Companies (RETGS) for the purposes of taxation of income tax.

Under the scope of taxation under this regime, the Group chose to consider that the effects of the determination of the taxable income according to RETGS are reflected in the tax calculation of each entity's fiscal year, which includes the effect on the current tax due to the use of tax loss carry forwards generated by another entity of the Group.

y) Segmental reporting

The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating and geographic segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

The Group controls its activity through the following major operating segments:

Portugal activity:
– Retail Banking, also including ActivoBank;
– Companies, Corporate and Investment Banking;
– Private Banking;
– Non-core business portfolio;
– Other.

"Other" (Portugal activity) includes the activities that are not allocated to remaining segments namely centralized management of financial investments, corporate activities and insurance activity.

Foreign activity:
– Poland;
– Mozambique;
– Other.

Other (foreign activity) includes the activity developed by subsidiaries in Switzerland and Cayman Islands and also the contribution of the participation in an associate in Angola .

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued or discontinuing operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the purchase method till April 2016.

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

z) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that a payment will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote.

The group registers a contingent liability when:

(a) It is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) A present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

aa) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Group by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share. If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

ab) Insurance contracts

Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised as income when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration period of risk coverage. Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro rata basis during the term of the contract. The provision for unearned premiums represents the amount of issued premiums on risks not occurred.

Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle. Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro rata temporis method applied to each contract in force.

Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash-flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Insurance or reinsurance intermediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law no. 144 / 2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, these banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, they receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which payment occurs at different time period to which it relates are subject to registration as an amount receivable under Other Assets.

ad) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee apply judgments and make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Board of Directors, on the advice of the Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

(i) Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash-flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation of the tax legislation.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

(iii) Non-current assets held for sale (real estate) valuation

The properties registered in the portfolio of non-current assets held for sale are subject to periodic real estate valuations, carried out by independent experts, from their registration and until their derecognition, to be carried out on a property by property basis, according to the circumstances in which each property is and consistent with the disposal strategy. The preparation of these evaluations involves the use of several assumptions. Different assumptions or changes occurred in them may affect the recognised value of these assets.

(iv) Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rate, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

(v) Impairment of financial assets available for-sale

The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

(vi) Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash-flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values. Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results from the one's reported.

(vii) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying some of its non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale with its consequently fair value measure and not at the amortization cost. The investments would therefore be measured at fair value instead of amortised cost. Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact in profit and loss of the Group.

(viii) Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and it is able to take possession of those results through the power it holds (de facto control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns. Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

(ix) Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash-flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash-flows to discount and the discount rate, involves judgment.

ae) Subsequent events

Events occurring after the date of the statement of financial position that provide information on situations occurring after that date, if significant, are disclosed in the notes to the consolidated financial statements.

2. NET INTEREST INCOME, NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES AND FROM FINANCIAL ASSETS AVAILABLE FOR SALE

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities and from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging and from financial assets available for sale.

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
Net interest income (note 3)	**1,230,126**	1,190,599
Net gains from trading and hedging assets (note 6)	**101,827**	118,195
Net gains from financial assets available for sale (note 7)	**138,540**	421,214
	1,470,493	1,730,008

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
INTEREST AND SIMILAR INCOME		
Interest on loans	1,547,745	1,744,554
Interest on trading securities	6,447	15,210
Interest on other financial assets valued at fair value through profit and loss account	3,688	6,061
Interest on available for sale financial assets	199,404	212,248
Interest on held to maturity financial assets	9,983	29,929
Interest on hedging derivatives	96,627	104,161
Interest on derivatives associated to financial instruments through profit and loss account	17,176	15,286
Interest on deposits and other investments	28,927	31,517
	1,909,997	2,158,966
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on deposits and other resources	388,905	615,204
Interest on securities issued	140,295	197,910
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	65,525	65,352
Others	57,091	60,844
Interest on hedging derivatives	16,637	11,271
Interest on derivatives associated to financial instruments through profit and loss account	11,418	17,786
	679,871	968,367
	1,230,126	1,190,599

The balance Interest on loans includes the amount of Euros 42,672,000 (2015: Euros 55,304,000) related to commissions and other gains accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1 m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 66,052,000 (2015: Euros 92,851,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 135,047,000 (2015: Euros 203,835,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
Dividends from financial assets available for sale	7,709	9,647
Dividends from financial assets held for trading	5	5
	7,714	9,652

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the year.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
FEES AND COMMISSIONS RECEIVED		
From guarantees	68,342	74,301
From commitments	3,816	2,939
From banking services	409,009	430,534
From insurance activity commissions	1,239	1,648
From securities operations	96,614	100,543
From management and maintenance of accounts	90,556	84,376
From fiduciary and trust activities	758	980
From other commissions	73,521	67,839
	743,855	763,160
FEES AND COMMISSIONS PAID		
From guarantees received provided by third parties	5,694	5,098
From banking services	69,257	75,615
From insurance activity commissions	1,137	1,536
From securities operations	12,031	9,290
From other commissions	11,902	11,366
	100,021	102,905
	643,834	660,255

The balance Fees and commissions received – From banking services includes the amount of Euros 76,705,000 (2015: Euros 75,340,000) related to insurance mediation commissions, as referred in note 50 c).

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
GAINS ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	1,673,984	2,077,580
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	9,423	8,445
Variable income	25,332	5,725
Certificates and structured securities issued	43,511	53,908
Derivatives associated to financial instruments at fair value through profit and loss	40,110	50,192
Other financial instruments derivatives	449,526	691,880
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	-	29
Other financial instruments	4,221	8,351
Repurchase of own issues	3,030	42,124
Hedging accounting		
Hedging derivatives	146,924	106,873
Hedged item	123,233	21,371
Credit sales	39,395	5,267
Other activity	2,354	4,462
	2,561,043	3,076,207
LOSSES ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	1,589,392	1,994,393
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	8,670	13,975
Variable income	29,132	5,701
Certificates and structured securities issued	62,095	57,648
Derivatives associated to financial instruments through profit and loss	33,390	53,476
Other financial instruments derivatives	413,502	679,054
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	5,362	734
Other financial instruments	7,417	4,657
Repurchase of own issues	2,121	3,828
Hedging accounting		
Hedging derivatives	235,401	119,110
Hedged item	23,518	8,173
Credit sales	46,450	13,924
Other activity	2,766	3,339
	2,459,216	2,958,012
	101,827	118,195

The balance Net gains arising from trading and hedging activities includes, in 2016, for Deposits from customers – Deposits at fair value through profit and loss, a gain of Euros 3,239,000 (2015: loss of Euros 1,302,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 34.

This balance also includes, in 2016, for Debt securities at fair value through profit and loss, a loss of Euros 1,368,000 (2015: loss of Euros 6,337,000) as referred in note 35, and for derivatives liabilities associated to financial instruments a gain of Euros 597,000 (2015: loss of Euros 8,491,000), related to the fair value changes arising from changes in own credit risk (spread).

The caption Transactions with financial instruments measured at fair value through profit and loss – Other financial instruments measured at fair value through profit and loss, did not present any material impact on differences in the initial recognition between fair value and transaction price of financial assets or financial liabilities at fair value through profit and loss (IAS 39 paragraphs 43A and AG76 and IFRS 7.28).

The balance Gains arising from trading and hedging activities – Repurchase of own issues included, in 2015, a gain of Euros 34,420,000 arising from the exchange offer of subordinated securities for shares. The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 d).

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
GAINS ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**37,304**	435,052
Variable income	**107,830**	11,061
LOSSES ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**(4,859)**	(24,189)
Variable income	**(1,735)**	(710)
	138,540	421,214

The balance Gains arising from financial assets available for sale – Fixed income – includes, in 2016, the amount of Euros 11,185,000 (2015: Euros 414,603,000) related to gains resulting from the sale of Portuguese Treasury bonds.

On 21 June 2016, it was completed the purchase of Visa Europe Ltd by Visa Inc. Both Banco Comercial Português, S.A (BCP) and Bank Millennium, as a key member of Visa Europe Ltd benefited from this transaction, which resulted in the receipt for the sale of shareholdings in Visa Europe Ltd to Visa Inc., an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and a deferred payment to three years.

In 2016, the balance Gains arising from financial assets available for sale – Variable income includes the amount of Euros 96,204,000 (of which Euros 69,851,000 regards to Bank Millennium, S.A and Euros 26,353,000 to BCP) related to gains arising from the sale of the investment held in Visa Europe.

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
OPERATING INCOME		
Income from services	**23,912**	30,841
Cheques and others	**13,307**	14,854
Gains on leasing operations	**8,943**	2,967
Rents	**2,462**	3,558
Other operating income	**16,041**	16,879
	64,665	69,099
OPERATING COSTS		
Indirect taxes	**22,393**	22,296
Donations and contributions	**4,262**	3,631
Contribution over the banking sector	**24,820**	24,937
Contribution for the Resolution Fund	**5,661**	6,393
Contribution for the Single Resolution Fund	**21,156**	31,364
Contribution for the Deposit Guarantee Fund	**20,722**	21,206
Tax for the Polish banking sector	**39,781**	-
Extraordinary contributions	**1,615**	28,257
Losses on financial leasing operations	**338**	1,822
Other operating expenses	**28,464**	27,351
	169,212	167,257
	(104,547)	(98,158)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A / 2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No. 24 / 2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions focus on the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and suplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806 / 2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015 / 63 and Council Implementing Regulation (EU) 806 / 2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intragroup liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of each year.

In 2016, the Group delivered the amount of Euros 21,156,000 to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 24,967,000 and the Group opted to constitute an irrevocable commitment in the amount of Euros 3,811,000 as defined by the Single Council resolution in accordance with the methodology set out in Delegated Regulation (EU) No. 2015 / 63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015 / 81 of the Council of 19 December 2014.

The balance Extraordinary contributions refers to the extraordinary contributions made by Bank Millennium S.A. to the Banking Guarantee Fund for bankruptcy of banks in Poland and to the Distressed Mortgage Support Fund.

9. STAFF COSTS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
Salaries and remunerations	410,676	432,505
Mandatory social security charges		
Post-employment benefits (note 49)		
Service cost	(741)	(1,912)
Net interest cost / (income) in the liability coverage balance	4,502	5,729
Cost / (income) with early retirement programs and mutually agreed terminations	2,933	(359)
Changes occurred in the collective labour agreement (ACT)	(172,262)	-
	(165,568)	3,458
Other mandatory social security charges	97,713	105,247
	(67,855)	108,705
Voluntary social security charges	15,994	23,123
Seniority premium (note 49)	(19,245)	2,248
Other staff costs	17,032	7,348
	356,602	573,929

The balance Post-employment benefits – Changes occurred in the collective labour agreement (ACT) results from the revision of the Collective Labour Agreement (ACT) concluded at the end of December 2016, between the BCP Group and two of the unions representing the group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund, as described in accounting policy 1 w) and note 49.

Under the context of the amendments to the ACT, there were also changes in the benefit related to the seniority bonus which was replaced by theEnd of career premium (note 49).

The fixed remunerations and social charges paid to members of the Board of Directors of the Banco Comercial Português, S.A and key management elements are analysed as follows:

(Thousand of Euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016	2015 (restated)	**2016**	2015 (restated)	**2016**	2015 (restated)
Remunerations	**2,080**	2,176	**526**	578	**5,260**	5,394
Supplementary retirement pension	**702**	1,205	**-**	-	**-**	-
Pension Fund	**28**	19	**-**	-	**51**	61
Other mandatory social security charges	**484**	531	**124**	137	**1,466**	1,479
Seniority premium	**-**	44	**-**	-	**211**	143
	3,294	3,975	**650**	715	**6,988**	7,077

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2016, the amount of remuneration paid to the Executive Committee, includes Euros 158,000 (2015: Euros 103,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, of which Euros 61,000 are related to 2015. During 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the 2016, were paid to one key management member, a severance payment of Euros 483,000 (2015: Euros 4,729,000 paid to four members).

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2016	2015 (restated)
PORTUGAL		
Top Management	**1,005**	1,029
Intermediary Management	**1,722**	1,723
Specific / Technical functions	**2,949**	2,942
Other functions	**1,746**	1,906
	7,422	7,600
ABROAD	**8,483**	8,540
	15,905	16,140

10. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
Rents and lease	**99,539**	102,940
Outsourcing and independent labour	**76,377**	76,123
Advertising	**23,736**	26,858
Communications	**22,531**	23,351
Maintenance and related services	**18,887**	22,513
Information technology services	**18,546**	17,377
Water, electricity and fuel	**15,682**	17,482
Advisory services	**13,441**	11,568
Transportation	**8,002**	8,387
Travel, hotel and representation costs	**7,599**	8,373
Legal expenses	**6,285**	6,583
Consumables	**4,343**	4,975
Insurance	**4,261**	4,554
Credit cards and mortgage	**4,891**	5,333
Training costs	**1,144**	1,625
Other specialised services	**22,436**	24,361
Other supplies and services	**25,870**	26,892
	373,570	389,295

The balance Rents and lease includes the amount of Euros 82,957,000 (2015: Euros 85,147,000) related to rents paid regarding buildings used by the Group as lessee.

In accordance with accounting policy 1l), under IAS 17, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousand of Euros)

	2016			2015 (restated)		
	Properties	**Vehicles**	**Total**	Properties	Vehicles	Total
Until 1 year	**86,339**	**502**	**86,841**	99,978	1,289	101,267
1 to 5 years	**88,765**	**394**	**89,159**	133,129	942	134,071
Over 5 years	**13,503**	**-**	**13,503**	18,186	21	18,207
	188,607	**896**	**189,503**	251,293	2,252	253,545

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Group and by companies in its network as part of its statutory audit functions, as well as other services, taking into account the start date of functions on 2 May 2016, as follows:

(Thousand of Euros)

	2016	2015 (restated)
Auditing services		
Legal certification	**1,977**	2,512
Other assurance services	**1,070**	1,337
Other services	**853**	1,145
	3,900	4,994

In 2016 includes Euros 2,887,000 for services rendered by Deloitte & Associados, SROC S.A. to the Group, taking into account the date of beginning of functions on May 2, 2016.

In addition to the above amounts, between January and April 2016, fees were recorded for KPMG for services provided in the amount of Euros 676,000, including Euros 341,000 of audit services.

11. AMORTIZATION OF THE YEAR

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
INTANGIBLE ASSETS (NOTE 30)		
Software	**10,197**	11,963
Other intangible assets	**527**	342
	10,724	12,305
OTHER TANGIBLE ASSETS (NOTE 29)		
Properties	**19,443**	21,380
Equipment		
Furniture	**1,694**	1,686
Machinery	**691**	838
Computer equipment	**7,469**	7,697
Interior installations	**1,793**	1,990
Motor vehicles	**4,287**	4,120
Security equipment	**1,582**	1,821
Other equipment	**2,141**	2,241
	39,100	41,773
	49,824	54,078

12. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
LOANS AND ADVANCES TO CUSTOMERS:		
Impairment charge for the year	**1,381,442**	1,206,982
Write-back for the year	**(230,658)**	(359,793)
Recovery of loans and interest charged-off (note 22)	**(33,866)**	(29,380)
	1,116,918	817,809
LOANS AND ADVANCES TO CREDIT INSTITUTIONS:		
Impairment charge for the year	**-**	9
Write-back for the year	**(2)**	(10)
	(2)	(1)
	1,116,916	817,808

The balance Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 c).

13. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE		
Charge for the year (note 23)	**274.741**	56.675

The balance Impairment of financial assets available for sale – Charge for the year includes the impairment losses on shares and on participation units held by the Group in the amount of Euros 235,557,000 (2015: Euros 40,688,000). This amount includes Euros 218,381,000 (2015: Euros 18,647,000) related to impairment losses on investments held in restructuring funds, as described in note 57.

14. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
PROVISION FOR GUARANTEES AND OTHER COMMITMENTS (NOTE 37)		
Charge for the year	**64,536**	8,827
Write-back for the year	**(8,644)**	(24,484)
	55,892	(15,657)
OTHER PROVISIONS FOR LIABILITIES AND CHARGES (NOTE 37)		
Charge for the year	**44,928**	39,822
Write-back for the year	**(12,433)**	(430)
	32,495	39,392
	88,387	23,735

15. SHARE OF PROFIT OF ASSOCIATES UNDER THE EQUITY METHOD

The main contributions of the investments accounted for under the equity method are analysed as follows:

(Thousand of Euros)

	2016	2015 (restated)
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**26,036**	8,186
Unicre – Instituição Financeira de Crédito, S.A.	**27,332**	5,267
Banco Millennium Atlântico, S.A.	**13,306**	-
Banque BCP, S.A.S.	**2,981**	2,972
SIBS, S.G.P.S, S.A.	**11,723**	2,494
Banque BCP (Luxembourg), S.A.	**51**	54
VSC – Aluguer de Veículos Sem Condutor, Lda.	**-**	45
Outras empresas	**(904)**	4,510
	80,525	23,528

The positive evolution of this caption is due mainly to the contribution of the results of Unicre – Instituição Financeira de Crédito, S.A. and SIBS, S.G.P.S, S.A., influenced by the transaction of their shareholding in Visa Europe, as well as the beginning of the application of the equity method of accounting in Banco Millennium Atlântico, S.A.

In accordance with the note 47, Banco Comercial Português, S.A. agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S.A., which started to be accounted by the equity method from May 2016. The main impacts of this transaction are detailed in note 58.

In December 2015, the Group sold 50% of the capital share of the company VSC – Aluguer de Veículos Sem Condutor, Lda. to GE Capital Holding Portugal, SGPS, Unipessoal Lda.

16. GAINS / (LOSSES) ARISING FROM THE SALE OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
Sale of 3.7% the investment held in Banque BCP, S.A (Luxembourg)	465	-
Sale of 31.3% the investment in Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	(521)	-
Other assets	(6,221)	(32,006)
	(6,277)	(32,006)

The caption Gains / (losses) arising from the sale of subsidiaries and other assets – Other assets corresponds, namely, the losses arising from the sale of assets of the Group classified as non-current assets held for sale (note 27) as also the revaluations of investment properties (note 28).

17. INCOME / (LOSS) ARISING FROM DISCONTINUED OR DISCONTINUING OPERATIONS

The amount of this account is comprised of:

(Thousand of Euros)

	2016	2015 (restated)
NET INCOME BEFORE INCOME TAXES		
Banco Millennium Angola, S.A.:		
Net income before income taxes	41,934	94,390
Gains arising from the merger with Banco Privado Atlântico, S.A.	7,330	-
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.:		
Net income before income taxes	-	1,463
Gains arising from the sale	1,092	13,529
	50,356	109,382
TAXES		
Banco Millennium Angola, S.A.	(5,128)	(18,711)
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	(344)
	(5,128)	(19,055)
	45,228	90,327

According to the described in note 47, under the merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, and in accordance with the provisions of IFRS 5, this operation was considered as discontinued, and the impact on results presented in a separate line of the income statement named "Income / (loss) arising from discontinued operations". The financial statements of Banco

Millennium Angola, S.A. that have been incorporated in this caption, are detailed in note 58.

18. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousand of Euros)

	2016	2015 (restated)
CONTINUING OPERATIONS		
Net income / (loss)	**100,587**	270,634
Non-controlling interests arising	**(103,511)**	(87,853)
Appropriated net income / (loss)	**(2,924)**	182,781
Gains / (losses) in equity instruments	**-**	34,469
Adjusted net income / (loss)	**(2,924)**	217,250
DISCONTINUED OR DISCONTINUING OPERATIONS		
Net income / (loss)	**45,228**	90,327
Non-controlling interests	**(18,366)**	(37,764)
Appropriated net income / (loss)	**26,862**	52,563
ADJUSTED NET INCOME / (LOSS)	**23,938**	269,813
Average number of shares	**1,231,541,411**	1,161,888,689
Basic earnings per share (Euros):		
from continuing operations	**(0.003)**	0.187
from discontinued or discontinuing operations	**0.022**	0.045
	0.019	0.232
Diluted earnings per share (Euros)		
from continuing operations	**(0.003)**	0.187
from discontinued operations	**0.022**	0.045
	0.019	0.232

The Bank's share capital, as at 31 December 2016, amounts to Euros 4,268,817,689.20 and is represented by 944,624,372 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

During 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

As referred in note 47, in November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

As referred in note 60, the Board of Directors of BCP has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of ordinary shares will be 15,113,989,952, with a price of Euros 0.0940 per share.

According with the IAS 33, the average number of shares in 2016 took into consideration the capital increase by the subscription of new shares occurred in 2017. The average number of shares in 2015 was adjusted retrospectively by both the capital increase carried out in 2017 and the reverse stock split and the increase in private subscription capital, both made in 2016.

As at 31 December 2016 and 2015 there were not considered in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), as the conversion value of the shares to be issued is not defined in accordance with the decree 150-A / 2012 of 17 May which will be the basis for determining this effect. It should be noted that on 9 February 2017, BCP has reimbursed the Portuguese State in advance of the remaining amount of these instruments (Euros 700 million).

There were not identified another dilution effects of the earnings per share as at 31 December 2016 and 2015, so the diluted result is equivalent to the basic result.

19. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Cash	**540,290**	625,311
Central Banks		
Bank of Portugal	**433,534**	171,367
Central Banks abroad	**600,088**	1,043,639
	1,573,912	1,840,317

The balance Central Banks includes deposits with Central Banks of the countries where the Group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In 2016, the Group began to consider cash and deposits in Central Banks as cash and equivalents in the Consolidated Statement of Cash-Flows.

20. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Credit institutions in Portugal	659	1,632
Credit institutions abroad	232,152	675,415
Amounts due for collection	215,414	99,366
	448,225	776,413

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group had, as at 31 December 2015, through its subsidiary Bank Millennium, S.A. in Poland, the amount of Euros 464,759,000 of Loans and advances to credit institutions repayable on demand, granted as collateral on the mentioned transactions. In 2016, these operations are associated with Other loans and advances to credit institutions, as mentioned in note 21.

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

21. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Other loans and advances to Central Banks abroad	12,461	71,934
Other loans and advances to credit institutions in Portugal		
Loans	15,586	3,500
Other applications	4,801	774
	20,387	4,274
Other loans and advances to credit institutions abroad		
Very short-term applications	180,347	172,635
Short-term applications	548,564	291,676
Loans	4	17,307
Other applications	294,439	363,824
	1,023,354	845,442
	1,056,202	921,650
Overdue loans – over 90 days	499	-
	1,056,701	921,650
Impairment for other loans and advances to credit institutions	-	(2)
	1,056,701	921,648

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

(Thousand of Euros)

	2016	2015
Other loans and advances to credit institutions in Portugal		
Other applications	2,840	-
Other loans and advances to credit institutions abroad		
Short-term applications	242,896	-
Other applications	275,180	325,020
	520,916	325,020

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative.

This balance is analysed by the period to maturity, as follows:

(Thousand of Euros)

	2016	2015
Up to 3 months	995,667	764,830
3 to 6 months	13,567	9,754
6 to 12 months	4,869	119,837
1 to 5 years	42,099	27,229
Undetermined	499	-
	1,056,701	921,650

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	2	53
Transfers	-	(50)
Impairment charge for the year	-	9
Write-back for the year	(2)	(10)
BALANCE ON 31 DECEMBER	-	2

22. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Public sector	1,041,191	1,226,557
Asset-backed loans	29,011,503	31,482,461
Other guaranteed loans	3,985,120	8,243,543
Unsecured loans	6,821,163	3,230,128
Foreign loans	2,099,860	2,207,638
Factoring operations	1,794,778	1,573,033
Finance leases	3,373,561	3,351,665
	48,127,176	51,315,025
Overdue loans – less than 90 days	134,934	121,846
Overdue loans – over 90 days	3,496,343	4,001,372
	51,758,453	55,438,243
Impairment for credit risk	(3,740,851)	(3,468,084)
	48,017,602	51,970,159

In the context of the continuous improvement of the disclosures presented in the appendix to the financial statements, the credit presentation criteria by type were revised in 2016 to ensure greater consistency with the information used by the Bank in credit risk management.

As at 31 December 2016, the balance Loans and advances to customers includes the amount of Euros 12,027,960,000 (31 December 2015: Euros 12,717,796,000) regarding credits related to mortgage loans issued by the Group.

As referred in note 52, the Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As at 31 December 2016 and as referred in note 57, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,586,114,000 (31 December 2015: Euros: 1,584,372,000). During 2016, the loans sold amounted to Euros 1,742,000.

As referred in note 50, the Group provides loans and / or guarantees to shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report.

As at 31 December 2016, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 237,707,000 (31 December 2015: Euros 149,324,000), as referred in note 49 a). The amount of impairment recognised for these contracts amounts to Euros 130,000 as at 31 December 2016 (31 December 2015: Euros 904,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousand of Euros)

	2016	2015
LOANS NOT REPRESENTED BY SECURITIES		
Discounted bills	**284,378**	295,697
Current account credits	**1,625,812**	2,214,611
Overdrafts	**1,339,874**	1,589,253
Loans	**13,689,736**	15,141,524
Mortgage loans	**23,952,257**	25,179,816
Factoring operations	**1,794,778**	1,573,033
Capital em locação	**3,373,561**	3,351,665
	46,060,396	49,345,599
LOANS REPRESENTED BY SECURITIES		
Commercial paper	**1,843,345**	1,655,569
Bonds	**223,435**	313,857
	2,066,780	1,969,426
	48,127,176	51,315,025
Overdue loans – less than 90 days	**134,934**	121,846
Overdue loans – over 90 days	**3,496,343**	4,001,372
	51,758,453	55,438,243
Impairment for credit risk	**(3,740,851)**	(3,468,084)
	48,017,602	51,970,159

The analysis of loans and advances to customers, by sector of activity, is as follows:

	2016		2015	
	Euros '000	%	Euros '000	%
Agriculture and forestry	340,577	0.66%	368,337	0.66%
Fisheries	53,382	0.10%	67,714	0.12%
Mining	102,242	0.20%	152,525	0.28%
Food, beverage and tobacco	604,397	1.17%	614,374	1.11%
Textiles	470,765	0.91%	469,481	0.85%
Wood and cork	222,993	0.43%	237,402	0.43%
Paper, printing and publishing	207,963	0.40%	214,094	0.39%
Chemicals	748,720	1.45%	818,068	1.48%
Machinery, equipment and basic metallurgical	1,061,729	2.05%	1,053,862	1.90%
Electricity and gas	578,499	1.12%	757,181	1.37%
Water	209,693	0.41%	245,676	0.44%
Construction	2,859,301	5.52%	3,562,374	6.43%
Retail business	1,272,782	2.46%	1,249,026	2.25%
Wholesale business	1,917,220	3.70%	2,146,780	3.87%
Restaurants and hotels	974,176	1.88%	1,017,112	1.83%
Transports	1,491,856	2.88%	1,579,235	2.85%
Post offices	6,340	0.01%	8,850	0.02%
Telecommunications	379,594	0.73%	384,507	0.69%
Services				
Financial intermediation	4,060,971	7.85%	4,524,881	8.16%
Real estate activities	1,485,709	2.87%	1,811,079	3.27%
Consulting, scientific and technical activities	894,047	1.73%	754,430	1.36%
Administrative and support services activities	497,982	0.96%	470,518	0.85%
Public sector	740,839	1.43%	1,090,818	1.97%
Education	125,974	0.24%	145,575	0.26%
Health and collective service activities	281,158	0.54%	279,003	0.50%
Artistic, sports and recreational activities	381,572	0.74%	354,798	0.64%
Other services	635,861	1.23%	621,891	1.12%
Consumer credit	4,057,789	7.84%	4,138,491	7.47%
Mortgage credit	24,018,307	46.41%	25,048,344	45.18%
Other domestic activities	7,888	0.02%	7,713	0.01%
Other international activities	1,068,127	2.06%	1,244,104	2.24%
	51,758,453	100.00%	55,438,243	100.00%
Impairment for credit risk	(3,740,851)		(3,468,084)	
	48,017,602		51,970,159	

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	108,926	83,579	108,386	300,891	39,686	340,577
Fisheries	7,038	15,999	18,364	41,401	11,981	53,382
Mining	62,562	24,753	8,052	95,367	6,875	102,242
Food, beverage and tobacco	365,344	148,471	71,361	585,176	19,221	604,397
Textiles	238,126	104,689	101,875	444,690	26,075	470,765
Wood and cork	95,148	75,229	37,914	208,291	14,702	222,993
Paper, printing and publishing	70,701	75,111	52,141	197,953	10,010	207,963
Chemicals	363,117	205,728	113,358	682,203	66,517	748,720
Machinery, equipment and basic metallurgical	468,225	345,115	184,444	997,784	63,945	1,061,729
Electricity and gas	129,048	73,735	374,745	577,528	971	578,499
Water	56,254	34,608	114,947	205,809	3,884	209,693
Construction	937,900	282,397	812,991	2,033,288	826,013	2,859,301
Retail business	623,863	291,102	237,644	1,152,609	120,173	1,272,782
Wholesale business	1,022,257	526,029	215,238	1,763,524	153,696	1,917,220
Restaurants and hotels	92,372	181,660	582,587	856,619	117,557	974,176
Transports	419,444	517,356	482,739	1,419,539	72,317	1,491,856
Post offices	2,965	2,853	51	5,869	471	6,340
Telecommunications	94,241	112,614	65,741	272,596	106,998	379,594
Services						
Financial intermediation	1,256,275	1,062,314	1,176,613	3,495,202	565,769	4,060,971
Real estate activities	294,076	288,054	559,104	1,141,234	344,475	1,485,709
Consulting, scientific and technical activities	448,582	189,895	213,138	851,615	42,432	894,047
Administrative and support services activities	184,782	179,336	95,493	459,611	38,371	497,982
Public sector	150,003	150,417	439,440	739,860	979	740,839
Education	32,948	14,670	74,968	122,586	3,388	125,974
Health and collective service activities	87,721	67,994	120,952	276,667	4,491	281,158
Artistic, sports and recreational activities	75,893	24,643	265,225	365,761	15,811	381,572
Other services	159,650	397,386	62,521	619,557	16,304	635,861
Consumer credit	979,162	1,801,945	737,839	3,518,946	538,843	4,057,789
Mortgage credit	368,626	1,336,889	22,004,342	23,709,857	308,450	24,018,307
Other domestic activities	8	1	-	9	7,879	7,888
Other international activities	509,282	276,093	199,759	985,134	82,993	1,068,127
	9,704,539	8,890,665	29,531,972	48,127,176	3,631,277	51,758,453

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	124,754	366,857	549,580	1,041,191	27	1,041,218
Asset-backed loans	1,862,811	3,343,083	23,805,609	29,011,503	1,832,217	30,843,720
Personal guaranteed loans	1,678,537	1,336,693	969,890	3,985,120	443,626	4,428,746
Unsecured loans	3,806,214	1,619,086	1,395,863	6,821,163	1,053,539	7,874,702
Foreign loans	504,058	595,976	999,826	2,099,860	128,959	2,228,819
Factoring operations	1,304,834	445,597	44,347	1,794,778	23,588	1,818,366
Finance leases	423,331	1,183,373	1,766,857	3,373,561	149,321	3,522,882
	9,704,539	8,890,665	29,531,972	48,127,176	3,631,277	51,758,453

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2015, is as follows:

(Thousand of Euros)

	2015					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Agriculture and forestry	121,528	93,536	111,301	326,365	41,972	368,337
Fisheries	8,314	25,711	31,309	65,334	2,380	67,714
Mining	83,382	45,442	13,118	141,942	10,583	152,525
Food, beverage and tobacco	360,817	150,611	83,589	595,017	19,357	614,374
Textiles	226,286	94,864	115,499	436,649	32,832	469,481
Wood and cork	100,332	64,477	54,348	219,157	18,245	237,402
Paper, printing and publishing	67,388	81,440	53,362	202,190	11,904	214,094
Chemicals	400,657	197,594	147,137	745,388	72,680	818,068
Machinery, equipment and basic metallurgical	481,767	328,211	164,599	974,577	79,285	1,053,862
Electricity and gas	60,767	230,499	465,449	756,715	466	757,181
Water	77,540	40,358	123,850	241,748	3,928	245,676
Construction	1,338,008	462,390	686,870	2,487,268	1,075,106	3,562,374
Retail business	496,255	308,039	289,034	1,093,328	155,698	1,249,026
Wholesale business	1,127,657	600,476	235,820	1,963,953	182,827	2,146,780
Restaurants and hotels	127,766	209,856	550,960	888,582	128,530	1,017,112
Transports	431,177	563,217	510,889	1,505,283	73,952	1,579,235
Post offices	2,367	5,981	38	8,386	464	8,850
Telecommunications	131,013	95,390	81,883	308,286	76,221	384,507
Services						
Financial intermediation	1,515,464	1,114,329	1,297,356	3,927,149	597,732	4,524,881
Real estate activities	510,354	324,845	533,898	1,369,097	441,982	1,811,079
Consulting, scientific and technical activities	229,437	269,196	193,120	691,753	62,677	754,430
Administrative and support services activities	200,993	144,104	88,141	433,238	37,280	470,518
Public sector	400,276	206,012	482,978	1,089,266	1,552	1,090,818
Education	34,088	25,868	82,110	142,066	3,509	145,575
Health and collective service activities	90,078	69,190	115,144	274,412	4,591	279,003
Artistic, sports and recreational activities	83,760	67,046	187,036	337,842	16,956	354,798
Other services	131,913	353,213	120,906	606,032	15,859	621,891
Consumer credit	1,005,067	1,816,806	706,169	3,528,042	610,449	4,138,491
Mortgage credit	367,141	1,342,183	23,023,060	24,732,384	315,960	25,048,344
Other domestic activities	9	10	3	22	7,691	7,713
Other international activities	515,798	289,835	417,921	1,223,554	20,550	1,244,104
	10,727,399	9,620,729	30,966,897	51,315,025	4,123,218	55,438,243

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2015, is as follows:

(Thousand of Euros)

	2015					
	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total Outstanding	Overdue loans	Total
Public sector	1,141,647	62,081	22,829	1,226,557	15	1,226,572
Asset-backed loans	3,225,136	5,199,973	23,057,352	31,482,461	2,390,948	33,873,409
Personal guaranteed loans	1,607,641	1,930,864	4,705,038	8,243,543	450,426	8,693,969
Unsecured loans	2,132,824	991,027	106,277	3,230,128	1,009,618	4,239,746
Foreign loans	691,944	289,721	1,225,973	2,207,638	61,933	2,269,571
Factoring operations	1,531,041	40,901	1,091	1,573,033	25,455	1,598,488
Finance leases	397,166	1,106,162	1,848,337	3,351,665	184,823	3,536,488
	10,727,399	9,620,729	30,966,897	51,315,025	4,123,218	55,438,243

The caption Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization. The characterization of these operations is described in note 1 d) 6 ii).

Traditional securitizations

Securitization transactions engaged by the Group refer to mortgage loans and are set through specifically created SPE. As at 31 December 2016, the loans and advances referred to these traditional securitization transactions amounts to Euros 527,924,000 (31 December 2015: Euros 586,633,000) As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are consolidated by the full method.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE "Magellan Mortgages No. 2 PLC". Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). As at 31 December 2016, the SPE's credit portfolio associated with this operation amounts to Euros 142,654,000, and the bonds issued with different subordination levels amount to Euros 126,235,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 15,786,000 and Euros 14,000,000 of the most subordinated tranche fully acquired).

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). As at 31 December 2016, the SPE's credit portfolio associated with this operation amounts to Euros 385,270,000, and bonds issued with different subordination levels amount to Euros 256,177,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 124,139,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No. 3, which liquidation occurred in 28 June 2013, based on a medium and long-term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies. The maturity date is 25 March of 2036 and as at 31 December 2016, the synthetic securitization "Caravela SME No. 3" amounts to Euros 2,431,428,000. The fair value of swaps is recorded in the amount of Euros 174,242,000 and the associated cost in 2016 amounts to Euros 6,680,000.

Caravela SME No. 4

Caravela SME No.4 is a similar operation, initiated in 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The maturity date is 21 September of 2043 and as at 31 December 2016, the synthetic securitization "Caravela SME No.4" amounts to Euros 1,122,338,000. The fair value of swaps is recorded at the amount of Euros 46,623,000 and their associated cost in 2016 amounts to Euros 2,398,000.

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLSs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to all third parties the rights and obligations arising from the credits included in them, thus not meeting the criteria set out in paragraphs 16 and subsequent IAS 39 for derecognition.

The Group's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

(Thousand of Euros)

	2016	2015
LOANS AND ADVANCES TO CUSTOMERS WITH SIGNS OF IMPAIRMENT	**56,594,498**	60,675,358
INDIVIDUALLY SIGNIFICANT		
Gross amount	**6,535,910**	7,634,583
Impairment	**(2,587,273)**	(2,192,931)
	3,948,637	5,441,652
COLLECTIVE ANALYSIS		
Gross amount	**3,829,973**	4,443,180
Impairment	**(1,164,037)**	(1,207,337)
	2,665,936	3,235,843
Loans and advances to customers without signs of impairment	**46,228,615**	48,597,595
Impairment (IBNR)	**(117,597)**	(142,526)
	52,725,591	57,132,564

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 51,758,453,000 (31 December 2015: Euros: 55,438,243,000) and guarantees granted and commitments to third parties balance (see note 45), in the amount of Euros 4,836,045,000 (31 December 2015: Euros 5,327,115,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 37), in the amount of Euros 128,056,000 (31 December 2015: Euros 74,710,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, considering its fair value, is as follows:

(Thousand of Euros)

	2016	2015
LOANS AND ADVANCES TO CUSTOMERS WITH IMPAIRMENT INDIVIDUALLY SIGNIFICANT		
Securities and other financial assets	**650,949**	550,174
Residential real estate	**498,915**	596,331
Other real estate	**1,385,860**	1,496,490
Other guarantees	**680,523**	552,548
	3,216,247	3,195,543
COLLECTIVE ANALYSIS		
Securities and other financial assets	**23,271**	36,793
Residential real estate	**1,783,311**	2,057,815
Other real estate	**296,815**	384,543
Other guarantees	**107,704**	165,466
	2,211,101	2,644,617
LOANS AND ADVANCES TO CUSTOMERS WITHOUT IMPAIRMENT		
Securities and other financial assets	**2,178,216**	2,025,790
Residential real estate	**20,972,631**	21,901,517
Other real estate	**3,174,211**	3,582,927
Other guarantees	**3,725,116**	3,941,082
	30,050,174	31,451,316
	35,477,522	37,291,476

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 52), the amounts presented do not include the fair value of the personal guarantees provided by clients with risk rating lower. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

Considering the risk management policy of the Group, the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousand of Euros)

	2016	2015
Amount of future minimum payments	**3,810,114**	3,793,994
Interest not yet due	**(436,553)**	(442,329)
Present value	**3,373,561**	3,351,665

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousand of Euros)

	2016	2015
Up to 1 year	**752,119**	759,599
1 to 5 years	**1,723,305**	1,795,622
Over 5 years	**1,334,690**	1,238,773
	3,810,114	3,793,994

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousand of Euros)

	2016	2015
INDIVIDUALS		
Home	**76,577**	75,661
Consumer	**25,712**	35,940
Others	**125,693**	133,211
	227,982	244,812
COMPANIES		
Equipment	**1,499,569**	1,382,649
Real estate	**1,646,010**	1,724,204
	3,145,579	3,106,853
	3,373,561	3,351,665

Regarding operational leasing, the Group does not present relevant contracts as leasor.

The loans to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performing restructured loans, by sector of activity, is as follows:

(Thousand of Euros)

	2016	2015
Agriculture and forestry	**23,330**	19,574
Fisheries	**12,996**	13,588
Mining	**140**	156
Food, beverage and tobacco	**1,326**	1,438
Textiles	**694**	943
Wood and cork	**2,832**	13,706
Paper, printing and publishing	**1,899**	3,541
Chemicals	**4,277**	1,791
Machinery, equipment and basic metallurgical	**16,156**	34,997
Electricity and gas	**270**	380
Water	**98**	107
Construction	**34,029**	48,429
Retail business	**8,529**	10,005
Wholesale business	**8,928**	29,696
Restaurants and hotels	**12,822**	1,647
Transports	**9,656**	6,472
Post offices	**28**	29
Telecommunications	**238**	456
Services		
Financial intermediation	**452**	509
Real estate activities	**6,760**	10,798
Consulting, scientific and technical activities	**1,866**	2,012
Administrative and support services activities	**721**	849
Public sector	**746**	1,175
Education	**540**	467
Health and collective service activities	**54**	74
Artistic, sports and recreational activities	**399**	448
Other services	**1,626**	2,542
Consumer credit	**113,151**	108,939
Mortgage credit	**102,303**	91,900
Other domestic activities	**-**	26
Other international activities	**11,524**	8,112
	378,390	414,806

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash-flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 151,810,000 (31 December 2015: Euros 182,839,000).

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

Information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:
– There are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
– In the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

As mentioned in note 52, as at 31 December 2016, the total restructured loan amount to Euros 5,059,571,000 (31 December 2015: Euros 5,440,684,000).

The definition of Non Performing Loans for more than 90 days (NPL >90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 31 December 2016, the amount calculated is Euros 5,384,717,000 (31 December 2015: Euros 6,051,449,000).

The definition of Non Performing Exposure (NPE) is as follows:
a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose value of operations overdue for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2016, the NPE amounts to Euros 9,374,849,000 (31 December 2015: Euros 10,933,393,000).

The changes occurred in impairment for credit risk are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	**3,468,084**	3,482,705
Transfers resulting from changes in the Group's structure	**(40,109)**	15,562
Other transfers	**4,642**	47,210
Impairment charge for the year	**1,381,442**	1,206,982
Write-back for the year	**(230,658)**	(359,793)
Loans charged-off	**(806,403)**	(907,431)
Exchange rate differences	**(36,147)**	(17,151)
BALANCE ON 31 DECEMBER	**3,740,851**	3,468,084

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

(Thousand of Euros)

	2016	2015
Agriculture and forestry	**38,705**	38,604
Fisheries	**18,921**	21,367
Mining	**5,048**	11,639
Food, beverage and tobacco	**14,806**	17,103
Textiles	**26,595**	25,712
Wood and cork	**16,957**	42,976
Paper, printing and publishing	**14,694**	21,142
Chemicals	**55,849**	56,619
Machinery, equipment and basic metallurgical	**47,664**	55,029
Electricity and gas	**3,198**	5,998
Water	**9,937**	14,758
Construction	**614,394**	359,096
Retail business	**92,880**	109,730
Wholesale business	**127,132**	157,755
Restaurants and hotels	**113,459**	75,881
Transports	**119,507**	145,414
Post offices	**500**	498
Telecommunications	**19,591**	60,257
Services		
Financial intermediation	**1,052,162**	1,059,902
Real estate activities	**208,729**	109,835
Consulting, scientific and technical activities	**60,709**	85,613
Administrative and support services activities	**33,880**	27,457
Public sector	**3,584**	9,699
Education	**7,438**	2,170
Health and collective service activities	**4,617**	5,239
Artistic, sports and recreational activities	**89,892**	97,163
Other services	**50,564**	20,889
Consumer credit	**473,800**	330,824
Mortgage credit	**316,087**	416,542
Other domestic activities	**555**	6,080
Other international activities	**98,997**	77,093
	3,740,851	3,468,084

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousand of Euros)

	2016	2015
Public sector	**3,307**	1,420
Asset-backed loans	**2,296,551**	1,667,164
Personal guaranteed loans	**460,856**	490,236
Unsecured loans	**652,206**	1,020,381
Foreign loans	**140,922**	82,998
Factoring operations	**30,789**	37,485
Finance leases	**156,220**	168,400
	3,740,851	3,468,084

As at 31 December 2015, the impairment related to the component of Asset-backed loans and Personal guaranteed loans which is not covered by collaterals is presented in Unsecured loans.

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousand of Euros)

	2016	2015
Agriculture and forestry	**13,234**	3,420
Fisheries	**47**	416
Mining	**4,200**	320
Food, beverage and tobacco	**2,353**	3,805
Textiles	**8,385**	10,303
Wood and cork	**15,697**	11,144
Paper, printing and publishing	**2,619**	1,909
Chemicals	**28,023**	6,101
Machinery, equipment and basic metallurgical	**23,984**	9,058
Electricity and gas	**43**	479
Water	**229**	182
Construction	**184,253**	230,616
Retail business	**51,680**	30,869
Wholesale business	**57,244**	62,916
Restaurants and hotels	**17,481**	38,383
Transports	**5,683**	6,585
Post offices	**46**	147
Telecommunications	**9,575**	176,408
Services		
Financial intermediation	**104,895**	90,877
Real estate activities	**43,905**	47,451
Consulting, scientific and technical activities	**24,954**	3,853
Administrative and support services activities	**4,159**	5,372
Public sector	**2**	5
Education	**119**	72
Health and collective service activities	**660**	2,187
Artistic, sports and recreational activities	**1,123**	339
Other services	**4,843**	22,724
Consumer credit	**171,378**	101,270
Mortgage credit	**18,623**	16,973
Other domestic activities	**671**	18,465
Other international activities	**6,295**	4,782
	806,403	907,431

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousand of Euros)

	2016	2015
Asset-backed loans	**46,878**	58,860
Personal guaranteed loans	**9,115**	22,871
Unsecured loans	**729,412**	800,877
Foreign loans	**29**	19,887
Factoring operations	**6,149**	1,041
Finance leases	**14,820**	3,895
	806,403	907,431

The analysis of recovered loans and interest, during 2016 and 2015, by sector of activity, is as follows:

(Thousand of Euros)

	2016	2015
Agriculture and forestry	58	93
Fisheries	3	-
Mining	184	1
Food, beverage and tobacco	460	302
Textiles	824	486
Wood and cork	333	270
Paper, printing and publishing	55	13
Chemicals	244	315
Machinery, equipment and basic metallurgical	416	474
Electricity and gas	13	2
Water	10	5
Construction	20,301	17,950
Retail business	822	424
Wholesale business	2,107	891
Restaurants and hotels	117	67
Transports	135	101
Post offices	2	-
Telecommunications	12	41
Services		
Financial intermediation	60	1,135
Real estate activities	670	139
Consulting, scientific and technical activities	213	176
Administrative and support services activities	131	124
Education	11	1
Health and collective service activities	-	3
Artistic, sports and recreational activities	2,173	19
Other services	122	932
Consumer credit	3,970	5,219
Mortgage credit	21	8
Other domestic activities	149	171
Other international activities	250	18
	33,866	29,380

The analysis of recovered loans and interest during 2016 and 2015, by type of credit, is as follows:

(Thousand of Euros)

	2016	2015
Asset-backed loans	-	116
Personal guaranteed loans	389	1,595
Unsecured loans	32,522	27,538
Foreign loans	594	68
Factoring operations	8	1
Finance leases	353	62
	33,866	29,380

23. FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows:

(Thousand of Euros)

	2016	2015
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by public entities	**7,612,491**	7,201,261
Issued by other entities	**2,099,070**	2,376,286
	9,711,561	9,577,547
Overdue securities	**18,022**	4,078
Impairment for overdue securities	**(13,079)**	(4,075)
	9,716,504	9,577,550
SHARES AND OTHER VARIABLE INCOME SECURITIES	**1,226,456**	1,617,348
	10,942,960	11,194,898
TRADING DERIVATIVES	**848,774**	924,955
	11,791,734	12,119,853

The caption Bonds and other fixed income securities – issue by public entities includes the amount of Euros 126,395,000 referring to Mozambican sovereign debt (31 December 2015: Euros 472,170,000), according to note 56. In the last quarter of 2016, the Group reclassified part of the Mozambican government bonds portfolio in the amount of Euros 99,982,000 of available-for-sale financial assets to financial assets held to maturity.

The balance Trading derivatives includes, as at 31 December 2016, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 195,000 (31 December 2015: Euros 47,000).

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2016, is analysed as follows:

(Thousand of Euros)

	2016			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	11,803	146,664	3,310,289	3,468,756
Foreign issuers	108,010	-	3,290,307	3,398,317
Bonds issued by other entities				
Portuguese issuers	13,491	-	1,292,207	1,305,698
Foreign issuers	57,523	-	753,871	811,394
Treasury bills and other Government bonds	5,642	-	739,776	745,418
	196,469	146,664	9,386,450	9,729,583
Impairment for overdue securities	-	-	(13,079)	(13,079)
	196,469	146,664	9,373,371	9,716,504
VARIABLE INCOME:				
Shares in Portuguese companies	2,083	-	40,333	42,416
Shares in foreign companies	25	-	13,292	13,317
Investment fund units	1,063	-	1,169,277	1,170,340
Other securities	383	-	-	383
	3,554	-	1,222,902	1,226,456
TRADING DERIVATIVES	848,774	-	-	848,774
	1,048,797	146,664	10,596,273	11,791,734
Level 1	194,943	146,664	8,239,244	8,580,851
Level 2	239,634	-	1,060,858	1,300,492
Level 3	614,220	-	1,296,171	1,910,391

The trading and available for sale portfolios are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 31 December 2016, the fair value reserves are negative in the amount of Euros 233,799,000 (31 December 2015: positive amount of Euros 43,222,000).

As at 31 December 2016, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination associated with the traditional securitization transactions Magellan Mortgages No.1 and No. 4, referred in note 1 d) 6) i), in the amount of Euros 1,379,000 (31 December 2015: Euros 1,876,000) and Euros 121,000 (31 December 2015: Euros 135,000), respectively.

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2015, is analysed as follows:

(Thousand of Euros)

	2015			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	27,573	152,018	2,804,243	2,983,834
Foreign issuers	136,339	-	2,866,542	3,002,881
Bonds issued by other entities				
Portuguese issuers	20,007	-	1,139,881	1,159,888
Foreign issuers	62,678	-	1,157,798	1,220,476
Treasury bills and other Government bonds	-	-	1,214,546	1,214,546
	246,597	152,018	9,183,010	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	246,597	152,018	9,178,935	9,577,550
VARIABLE INCOME:				
Shares in Portuguese companies	15,282	-	71,097	86,379
Shares in foreign companies	391	-	89,924	90,315
Investment fund units	1,321	-	1,439,074	1,440,395
Other securities	259	-	-	259
	17,253	-	1,600,095	1,617,348
TRADING DERIVATIVE	924,955	-	-	924,955
	1,188,805	152,018	10,779,030	12,119,853
Level 1	318,315	152,018	6,949,116	7,419,449
Level 2	672,489	-	2,149,370	2,821,859
Level 3	198,001	-	1,680,544	1,878,545

The portfolio of financial assets available for sale, as at 31 December 2016, is analysed as follows:

(Thousand of Euros)

	2016					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value reserves	Fair value hedge adjustments	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	3,527,771	-	3,527,771	(295,463)	77,981	3,310,289
Foreign issuers	3,295,644	-	3,295,644	(5,337)	-	3,290,307
Bonds issued by other entities						
Portuguese issuers	1,378,684	(130,588)	1,248,096	31,032	-	1,279,128
Foreign issuers	747,623	(1,582)	746,041	7,830	-	753,871
Treasury bills and other Government bonds	739,746	-	739,746	30	-	739,776
	9,689,468	(132,170)	9,557,298	(261,908)	77,981	9,373,371
VARIABLE INCOME:						
Shares in Portuguese companies	116,404	(86,197)	30,207	10,126	-	40,333
Shares in foreign companies	12,672	(281)	12,391	901	-	13,292
Investment fund units	1,506,136	(353,941)	1,152,195	17,082	-	1,169,277
	1,635,212	(440,419)	1,194,793	28,109	-	1,222,902
	11,324,680	(572,589)	10,752,091	(233,799)	77,981	10,596,273

The portfolio of financial assets available for sale, as at 31 December 2015, is analysed as follows:

(Thousand of Euros)

	2015					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value reserves	Fair value hedge adjustments	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	2,901,838	-	2,901,838	(116,661)	19,066	2,804,243
Foreign issuers	2,860,927	-	2,860,927	5,615	-	2,866,542
Bonds issued by other entities						
Portuguese issuers	1,178,788	(91,193)	1,087,595	48,211	-	1,135,806
Foreign issuers	1,150,464	-	1,150,464	7,334	-	1,157,798
Treasury bills and other Government bonds	1,214,607	(8)	1,214,599	(53)	-	1,214,546
	9,306,624	(91,201)	9,215,423	(55,554)	19,066	9,178,935
VARIABLE INCOME:						
Shares in Portuguese companies	151,974	(85,002)	66,972	4,125	-	71,097
Shares in foreign companies	46,645	(292)	46,353	43,571	-	89,924
Investment fund units	1,528,922	(140,928)	1,387,994	51,080	-	1,439,074
	1,727,541	(226,222)	1,501,319	98,776	-	1,600,095
	11,034,165	(317,423)	10,716,742	43,222	19,066	10,779,030

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2016, by valuation levels, is analysed as follows:

(Thousand of Euros)

	2016			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	3,352,504	116,252	-	3,468,756
Foreign issuers	3,350,226	13	48,078	3,398,317
Bonds issued by other entities				
Portuguese issuers	1,076,804	179,121	49,773	1,305,698
Foreign issuers	120,704	690,690	-	811,394
Treasury bills and other Government bonds	654,928	78,316	12,174	745,418
	8,555,166	1,064,392	110,025	9,729,583
Impairment for overdue securities	-	-	(13,079)	(13,079)
	8,555,166	1,064,392	96,946	9,716,504
VARIABLE INCOME:				
Shares in Portuguese companies	19,428	-	22,988	42,416
Shares in foreign companies	25	-	13,292	13,317
Investment fund units	58	45	1,170,237	1,170,340
Other securities	-	-	383	383
	19,511	45	1,206,900	1,226,456
TRADING DERIVATIVE	6,174	236,055	606,545	848,774
	8,580,851	1,300,492	1,910,391	11,791,734

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2015, by valuation levels, is analysed as follows:

(Thousand of Euros)

	2015			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	2,966,983	-	16,851	2,983,834
Foreign issuers	2,335,453	667,428	-	3,002,881
Bonds issued by other entities				
Portuguese issuers	976,997	103,949	78,942	1,159,888
Foreign issuers	157,521	1,062,952	3	1,220,476
Treasury bills and other Government bonds	880,830	316,537	17,179	1,214,546
	7,317,784	2,150,866	112,975	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	7,317,784	2,150,866	108,900	9,577,550
VARIABLE INCOME:				
Shares in Portuguese companies	24,203	1,148	61,028	86,379
Shares in foreign companies	390	335	89,590	90,315
Investment fund units	200	14	1,440,181	1,440,395
Other securities	259	-	-	259
	25,052	1,497	1,590,799	1,617,348
TRADING DERIVATIVE	76,613	669,496	178,846	924,955
	7,419,449	2,821,859	1,878,545	12,119,853

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

During 2016, reclassifications were made from level 2 to level 1 in the amount of Euros 7,202,000 (31 December 2015: Euros 51,247,000) related to securities that became complied with the requirements of this level, as described in note 48. As they were not fulfilled the criteria for level 1 or level 2, especially market data observables such as the interest rate curves for all cash-flow discount periods, the Government bonds issued by the Mozambican State were reclassified to level 3.

The variable income securities classified as level 3 includes units in restructuring funds (note 57) in the amount of Euros 1,113,482,000 (31 December 2015: Euros 1,352,163,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the management company, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / – 10 % of the NAV has an impact of Euros 111,348,000 (31 December 2015: Euros 135,216,000) in Equity. This impact includes the effect on Fair value reserves of Euros 41,542,000 (31 December 2015: Euros 52,992,000) and in Net income / (loss) for the year, of Euros 75,252,000 (31 December 2015: Euros 82,224,000).

The instruments classified as level 3 have associated net gains not performed in the amount of Euros 19,915,000 (31 December 2015: Euros 96,347,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 536,365,000 as at 31 December 2016 (31 December 2015: Euros 282,504,000).

The analysis of the impact of the reclassifications performed in prior years until 31 December 2016 are analysed as follows:

(Thousand of Euros)

	At the reclassification date		2016		
	Book value	Fair value	**Book value**	**Fair value**	**Difference**
FROM FINANCIAL ASSETS HELD FOR TRADING TO:					
Financial assets available for sale	196,800	196,800	**17,744**	**17,744**	**-**
Financial assets held to maturity	2,144,892	2,144,892	**237,513**	**219,406**	**(18,107)**
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:					
Loans represented by securities	2,713,524	2,713,524	**4,375**	**4,375**	**-**
Financial assets held to maturity	796,411	796,411	**175,309**	**181,728**	**6,419**
	5,851,627	5,851,627	**434,941**	**423,253**	**(11,688)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2016, related to financial assets reclassified in prior years, are analysed as follows:

(Thousand of Euros)

	Income statement	Changes	
	Interests	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:			
Financial assets available for sale	490	(791)	(301)
Financial assets held to maturity	4,907	-	4,907
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	120	-	120
Financial assets held to maturity	3,262	252	3,514
	8,779	(539)	8,240

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2016, would be as follows:

(Thousand of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:				
Financial assets available for sale	(791)	55	736	-
Financial assets held to maturity	(11,716)	(6,391)	-	(18,107)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Loans represented by securities	-	-	-	-
Financial assets held to maturity	-	-	6,419	6,419
	(12,507)	(6,336)	7,155	(11,688)

As at 31 December 2015, this reclassification is analysed as follows:

(Thousand of Euros)

	At the reclassification date		2015		
	Book value	Fair value	Book value	Fair value	Book value
FROM FINANCIAL ASSETS HELD FOR TRADING TO:					
Financial assets available for sale	196,800	196,800	18,879	18,879	-
Financial assets held to maturity	2,144,892	2,144,892	236,866	230,475	(6,391)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:					
Loans represented by securities	2,713,524	2,713,524	87,900	92,226	4,326
Financial assets held to maturity	695,020	695,020	141,061	140,072	(989)
	5,750,236	5,750,236	484,706	481,652	(3,054)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2015, related to reclassified financial assets are analysed as follows:

(Thousand of Euros)

	Income statement	Changes	
	Interests	Fair value reserves	Interests
FROM FINANCIAL ASSETS HELD FOR TRADING TO:			
Financial assets available for sale	487	(1,558)	(1,071)
Financial assets held to maturity	9,140	-	9,140
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	3,945	5	3,950
Financial assets held to maturity	3,508	252	3,760
	17,080	(1,301)	15,779

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2015 would be as follows:

(Thousand of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:				
Financial assets available for sale	(1,558)	1,613	(55)	-
Financial assets held to maturity	(53,746)	47,355	-	(6,391)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Loans represented by securities	-	-	4,326	4,326
Financial assets held to maturity	-	-	(989)	(989)
	(55,304)	48,968	3,282	(3,054)

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	**317,423**	287,106
Transfers	**3,719**	5,640
Impairment against profit and loss	**274,741**	56,676
Amounts charged-off	**(14,395)**	(22,867)
Exchange rate differences	**(43)**	(35)
Other variations	**(8,856)**	(9,097)
BALANCE ON 31 DECEMBER	**572,589**	317,423

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash-flows of the assets. This assessment involves judgment in which the Group takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:
– Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
– Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash-flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	-	55,083	1,011,824	2,401,849	-	3,468,756
Foreign issuers	175,430	657,153	2,516,164	49,570	-	3,398,317
Bonds issued by other entities						
Portuguese issuers	-	73,238	989,532	224,906	18,022	1,305,698
Foreign issuers	605,332	94	67,210	138,758	-	811,394
Treasury bills and other Government bonds	108,821	627,042	8,605	950	-	745,418
	889,583	1,412,610	4,593,335	2,816,033	18,022	9,729,583
Impairment for overdue securities	-	-	-	-	(13,079)	(13,079)
	889,583	1,412,610	4,593,335	2,816,033	4,943	9,716,504
VARIABLE INCOME:						
Companies' shares						
Portuguese companies	-	-	-	-	42,416	42,416
Foreign companies	-	-	-	-	13,317	13,317
Investment fund units	-	1,889	16,590	1,151,405	456	1,170,340
Other securities	-	-	-	383	-	383
	-	1,889	16,590	1,151,788	56,189	1,226,456
	889,583	1,414,499	4,609,925	3,967,821	61,132	10,942,960

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2015, is as follows:

(Thousand of Euros)

	2015					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	2,329	1,757	521,456	2,458,292	-	2,983,834
Foreign issuers	81,206	459,954	2,231,720	230,001	-	3,002,881
Bonds issued by other entities						
Portuguese issuers	11,085	1,468	642,510	500,750	4,075	1,159,888
Foreign issuers	986,517	1,272	83,651	149,033	3	1,220,476
Treasury bills and other Government bonds	549,975	650,457	12,436	1,678	-	1,214,546
	1,631,112	1,114,908	3,491,773	3,339,754	4,078	9,581,625
Impairment for overdue securities	-	-	-	-	(4,075)	(4,075)
	1,631,112	1,114,908	3,491,773	3,339,754	3	9,577,550
VARIABLE INCOME:						
Companies' shares						
Portuguese companies	-	-	-	-	86,379	86,379
Foreign companies	-	-	-	-	90,315	90,315
Investment fund units	-	-	48,879	1,390,886	630	1,440,395
Other securities	-	-	-	259	-	259
	-	-	48,879	1,391,145	177,324	1,617,348
	1,631,112	1,114,908	3,540,652	4,730,899	177,327	11,194,898

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016				
	Bonds	Shares	Other financial assets	Overdue securities	Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	11	-	-	11
Chemicals	26,193	7	-	-	26,200
Machinery, equipment and basic metallurgical	-	4	-	-	4
Electricity and gas	8,742	-	-	-	8,742
Construction	-	7	-	2,395	2,402
Retail business	4,501	1,667	-	-	6,168
Wholesale business	-	655	-	126	781
Restaurants and hotels	-	46	-	-	46
Transports	672,408	766	-	-	673,174
Telecommunications	-	21,054	-	-	21,054
Services					
Financial intermediation(*)	1,104,702	20,216	1,120,810	14,299	2,260,027
Real estate activities	-	-	43,251	-	43,251
Consulting, scientific and technical activities	176,390	102	-	-	176,492
Administrative and support services activities	-	10,441	-	-	10,441
Health and collective service activities	89,450	-	-	-	89,450
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	1	736	6,278	1	7,016
Other international activities	-	5	384	-	389
	2,099,070	55,733	1,170,723	18,022	3,343,548
Government and public securities	6,867,073	-	745,418	-	7,612,491
Impairment for overdue securities	-	-	-	(13,079)	(13,079)
	8,966,143	55,733	1,916,141	4,943	10,942,960

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,113,482,000, which are classified in the sector of activity Services – Financial intermediation, but which have the core segment as disclosed in note 57.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 31 December 2015 is as follows:

(Thousand of Euros)

	2015				
	Bonds	Shares	Other financial assets	Overdue securities	Total
Food, beverage and tobacco	-	-	-	3	3
Textiles	-	7,447	-	361	7,808
Wood and cork	-	-	-	998	998
Paper, printing and publishing	13,240	37	-	-	13,277
Chemicals	25,000	7	-	-	25,007
Machinery, equipment and basic metallurgical	-	7	-	-	7
Construction	-	945	-	2,539	3,484
Retail business	3,000	1,346	-	-	4,346
Wholesale business	-	852	-	176	1,028
Restaurants and hotels	-	14,293	-	-	14,293
Transports	480,875	7,566	-	-	488,441
Telecommunications	-	27,837	-	-	27,837
Services					
Financial intermediation(*)	1,617,428	103,884	1,388,922	-	3,110,234
Real estate activities	-	6	44,279	-	44,285
Consulting, scientific and technical activities	164,741	102	-	-	164,843
Administrative and support services activities	-	12,082	-	-	12,082
Health and collective service activities	46,191	-	-	-	46,191
Artistic, sports and recreational activities	25,811	16	-	-	25,827
Other services	-	263	6,599	1	6,863
Other international activities	-	4	854	-	858
	2,376,286	176,694	1,440,654	4,078	3,997,712
Government and public securities	5,986,715	-	1,214,546	-	7,201,261
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	8,363,001	176,694	2,655,200	3	11,194,898

(*) The balance Other financial assets includes restructuring funds, in the amount of Euros 1,352,163,000, which are classified in the sector of activity Services – Financial intermediation, but which have the core segment as disclosed in note 57.

As referred in note 52, the Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities. As at 31 December 2016, this caption included Euros 190,985,000 (31 December 2015: Euros 661,820,000 of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives, by maturity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities (note 36)
INTEREST RATE DERIVATIVES:						
OTC Market:						
Interest rate swaps	389,419	1,397,333	9,786,013	11,572,765	519,817	477,010
Interest rate options (purchase)	2,267	92,472	108,888	203,627	29	-
Interest rate options (sale)	2,267	9,055	108,888	120,210	-	739
Other interest rate contracts	52,001	127,829	85,971	265,801	1,859	7,864
	445,954	1,626,689	10,089,760	12,162,403	521,705	485,613
Stock Exchange transactions:						
Interest rate futures	201,384	18,974	-	220,358	-	-
CURRENCY DERIVATIVES:						
OTC Market:						
Forward exchange contract	231,416	171,687	23,477	426,580	5,723	6,225
Currency swaps	2,684,852	384,258	3,846	3,072,956	41,058	7,512
Currency options (purchase)	41,232	39,571	42,798	123,601	3,149	-
Currency options (sale)	42,009	39,571	42,798	124,378	-	3,484
	2,999,509	635,087	112,919	3,747,515	49,930	17,221
SHARES / INDEXES:						
OTC Market:						
Shares / indexes swaps	644,404	958,302	1,651,783	3,254,489	29,068	7,799
Shares / indexes options (purchase)	-	-	2,067	2,067	-	-
Others shares / indexes options (purchase)	-	-	16,864	16,864	13,671	-
Others shares / indexes options (sale)	-	-	16,864	16,864	-	-
	644,404	958,302	1,687,578	3,290,284	42,739	7,799
Stock exchange transactions:						
Shares futures	249,929	-	-	249,929	-	-
Shares / indexes options (purchase)	109,678	196,064	213,652	519,394	6,174	-
Shares / indexes options (sale)	9,506	9,369	1,782	20,657	-	234
	369,113	205,433	215,434	789,980	6,174	234
COMMODITY DERIVATIVES:						
Stock Exchange transactions:						
Commodities futures	76,397	-	-	76,397	-	-
CREDIT DERIVATIVES:						
OTC Market:						
Credit default swaps	221,900	552,000	828,544	1,602,444	228,031	6,381
Other credit derivatives (sale)	-	-	55,881	55,881	-	-
	221,900	552,000	884,425	1,658,325	228,031	6,381
TOTAL FINANCIAL INSTRUMENTS TRADED IN:						
OTC Market:	4,311,767	3,772,078	12,774,682	20,858,527	842,405	517,014
Stock Exchange	646,894	224,407	215,434	1,086,735	6,174	234
Embedded derivatives					195	6,111
	4,958,661	3,996,485	12,990,116	21,945,262	848,774	523,359

The analysis of trading derivatives, by maturity, as at 31 December 2015, is as follows:

(Thousand of Euros)

	2015					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 yeear	Total	Assets	Liabilities (note 36)
INTEREST RATE DERIVATIVES:						
OTC Market:						
Forward rate agreements	-	762,213	-	762,213	106	8
Interest rate swaps	1,678,530	1,804,361	11,818,664	15,301,555	561,728	533,477
Interest rate options (purchase)	825	20,309	156,714	177,848	1,373	-
Interest rate options (sale)	1	219,709	156,714	376,424	-	596
Other interest rate contracts	299,010	125,807	121,478	546,295	44,519	48,776
	1,978,366	2,932,399	12,253,570	17,164,335	607,726	582,857
Stock Exchange transactions:						
Interest rate futures	31,022	55,112	-	86,134	-	-
CURRENCY DERIVATIVES:						
OTC Market:						
Forward exchange contract	484,876	183,025	29,811	697,712	4,560	5,982
Currency swaps	2,196,977	254,136	2,443	2,453,556	30,680	26,195
Currency options (purchase)	13,680	22,828	-	36,508	804	-
Currency options (sale)	11,344	24,586	-	35,930	-	841
	2,706,877	484,575	32,254	3,223,706	36,044	33,018
SHARES / INDEXES:						
OTC Market:						
Shares/indexes swaps	360,291	1,794,535	1,544,975	3,699,801	3,625	15,666
Shares/indexes options (purchase)	-	-	2,067	2,067	-	4,500
Others shares/indexes options (purchase)	-	-	-	-	12,194	-
	360,291	1,794,535	1,547,042	3,701,868	15,819	20,166
STOCK EXCHANGE TRANSACTIONS:						
Shares futures	422,870	-	-	422,870	-	-
Shares / indexes options (purchase)	106,650	471,018	205,923	783,591	76,613	-
Shares / indexes options (sale)	8,999	141,332	5,334	155,665	-	63,153
	538,519	612,350	211,257	1,362,126	76,613	63,153
COMMODITY DERIVATIVES:						
Stock Exchange transactions:						
Commodities futures	86,888	-	-	86,888	-	-
CREDIT DERIVATIVES:						
OTC Market:						
Credit default swaps	242,800	921,150	1,620,250	2,784,200	188,706	14,699
Other credit derivatives (sale)	-	-	11,738	11,738	-	-
	242,800	921,150	1,631,988	2,795,938	188,706	14,699
TOTAL FINANCIAL INSTRUMENTS TRADED IN:						
OTC Market:	5,288,334	6,132,659	15,464,854	26,885,847	848,295	650,740
Stock Exchange	656,429	667,462	211,257	1,535,148	76,613	63,153
Embedded derivatives					47	9,335
	5,944,763	6,800,121	15,676,111	28,420,995	924,955	723,228

24. HEDGING DERIVATIVES

This balance is analysed, by hedging instruments, as follows:

(Thousand of Euros)

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
Swaps	**51,717**	**122,121**	58,759	74,394
Others	**5,321**	**261,871**	14,368	466,836
	57,038	**383,992**	73,127	541,230

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash-flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash-flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash-flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During 2016, the relationships that follow the fair value hedge model recorded ineffectiveness of a positive amount of Euros 11,238,000 (2015: positive amount of Euros 961,000) and the hedging relationships that follow the cash-flows model recorded ineffectiveness of a negative amount of Euros 4,206,000 (2015: negative amount of Euros 1,038,000).

During 2016, reclassifications were made from fair value reserves to results, related to cash-flow hedge relationships, in a positive amount of Euros 16,220,000 (2015: positive amount Euros 912,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousand of Euros)

Hedged item	2016	2015
Loans	**6,242**	5,647
Deposits	**6,341**	(32,530)
Debt issued	**(51,806)**	(68,565)
	(39,223)	(95,448)

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	341,100	-	6,548,576	6,889,676	27,168	90,865
Others	550,000	150,000	-	700,000	5,232	3,356
	891,100	150,000	6,548,576	7,589,676	32,400	94,221
CASH FLOW HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	77,092	158,719	6,677,312	6,913,123	3,963	29,273
CASH FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES:						
OTC Market:						
Interest rate swaps	93,356	141,393	-	234,749	2,375	1,931
Other currency contracts	771,735	974,062	2,538,745	4,284,542	89	258,515
	865,091	1,115,455	2,538,745	4,519,291	2,464	260,446
HEDGING DERIVATIVES RELATED TO NET INVESTMENT IN FOREIGN OPERATIONS:						
OTC Market:						
Currency and interest rate swap	-	178,371	358,768	537,139	18,211	52
TOTAL FINANCIAL INSTRUMENTS TRADED BY:						
OTC Market	1,833,283	1,602,545	16,123,401	19,559,229	57,038	383,992

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2015, is as follows:

(Thousand of Euros)

	2015					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	4,040	139,291	3,401,016	3,544,347	35,145	40,922
Other interest rate contracts	-	-	99,944	99,944	-	33,047
Others	150,000	-	-	150,000	170	-
	154,040	139,291	3,500,960	3,794,291	35,315	73,969
CASH-FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES:						
OTC Market:						
Interest rate swaps	46,905	299,022	5,852,443	6,198,370	9,338	142
CASH-FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES:						
OTC Market:						
Other currency contracts	832,032	1,289,909	1,660,321	3,782,262	14,198	466,836
HEDGING DERIVATIVES RELATED TO NET INVESTMENT IN FOREIGN OPERATIONS:						
OTC Market:						
Currency and interest rate swap	60,827	236,006	253,666	550,499	14,276	283
TOTAL FINANCIAL INSTRUMENTS TRADED BY:						
OTC Market	1,093,804	1,964,228	11,267,390	14,325,422	73,127	541,230

25. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity is analysed as follows:

(Thousand of Euros)

	2016	2015
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by public entities	**152,119**	118,125
Issued by other entities	**359,062**	376,766
	511,181	494,891

As at 31 December 2016, the balance Financial assets held to maturity includes the amount of Euros 237,513,000 (31 December 2015: Euros 236,866,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 31 December 2016, the balance Financial assets held to maturity also includes the amount of Euros 73,918,000 (31 December 2015: Euros 141,061,000) and Euros 101,391,000 related to non derivatives financial assets (bonds) reclassified in previous years and in 2016, respectively, from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 31 December 2016, the Financial assets held to maturity portfolio is analysed as follows:

(Thousand of Euros)

Description	Country	Maturity date	Maturity	Nominal value	Book value	Fair value
ISSUED BY GOVERNMENT AND PUBLIC ENTITIES						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	August, 2018	4.5%	50,000	50,728	54,623
OT 2013/2017 - 1ª Série	Mozambique	April, 2017	7.5%	4,807	4,363	4,244
OT 2013/2017 - 3ª Série	Mozambique	September, 2017	9.875%	3,320	3,414	3,414
OT 2013/2017 - 4ª Série	Mozambique	December, 2017	9.875%	1,328	1,338	1,338
OT 2014/2017 - 1ª Série	Mozambique	October, 2017	9.875%	3,984	3,644	3,607
OT 2014/2017 - 2ª Série	Mozambique	November, 2017	9.875%	3,984	3,585	3,607
OT 2014/2017 - 3ª Serie	Mozambique	December, 2017	9.875%	2,656	2,593	2,587
OT 2014/2017 - 4ª Série	Mozambique	July, 2017	9.875%	2,656	2,662	2,660
OT 2014/2017 - 5ª Série	Mozambique	August, 2017	10%	2,656	2,551	2,535
OT 2014/2017 - 6ª Série	Mozambique	November, 2017	10.75%	7,967	8,100	8,100
OT 2014/2017 - 7ª Série	Mozambique	November, 2017	10.25%	7,079	6,754	6,718
OT 2014/2017 - 8ª Série	Mozambique	December, 2017	10.125%	2,191	2,102	2,092
OT 2015/2018 - 1ª Série	Mozambique	August, 2018	10%	2,698	2,346	2,326
OT 2015/2018 - 2ª Série	Mozambique	August, 2018	10%	12,180	10,592	10,501
OT 2015/2018 - 3ª Série	Mozambique	September, 2018	10%	8,128	7,069	7,008
OT 2015/2019 - 4ª Série	Mozambique	November, 2019	10.125%	6,195	5,141	5,104
OT 2015/2019 - 5ª Série	Mozambique	December, 2019	10.5%	4,080	4,037	4,037
OT 2015/2019 - 6ª Série	Mozambique	December, 2019	10.5%	26,927	23,773	23,646
OT 2016/2019 - 1ª Série	Mozambique	March, 2019	11%	4,195	3,644	3,615
OT 2016/2020 - 2ª Série	Mozambique	May, 2020	12.75%	4,138	3,683	3,667
					152,119	155,429
ISSUED BY OTHER ENTITIES						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.17%	75,000	74,578	81,582
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0.005%	40,000	39,052	27,675
STCP 00/05.06.2022 – 100Mios Call Semest. a Partir 10Cpn – Min.10Mios	Portugal	June, 2022	Euribor 6M+0.0069%	100,000	98,709	87,636
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,527	51,974
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0.54%	51,062	51,067	50,399
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.16%	26,300	26,310	24,339
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.6%	17,800	17,819	14,185
					359,062	337,790
					511,181	493,219

As at 31 December 2015, the Financial assets held to maturity portfolio is analysed as follows:

(Thousand of Euros)

Description	Country	Maturity date	Maturity	Nominal value	Book value	Fair value
ISSUED BY GOVERNMENT AND PUBLIC ENTITIES						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	August, 2018	4.500%	50,000	50,597	56,591
OT Angola 7.5 PCT 12/15.03.2016	Angola	March, 2016	7.500%	3,825	3,929	3,969
OT Angola 7 PCT 15/15.06.2017	Angola	June, 2017	7.000%	6,501	6,484	5,956
OT Angola 7.75 PCT 13/09.10.2017	Angola	October, 2017	7.500%	1,696	1,749	1,606
OT Angola 8 PCT 13/23.10.2017	Angola	October, 2017	7.500%	7,803	8,057	7,385
OT Angola 7.25 PCT 15/15.06.2018	Angola	June, 2018	7.250%	6,501	6,449	5,639
OT Angola 8 PCT 13/09.10.2018	Angola	October, 2018	7.750%	1,696	1,762	1,551
OT Angola 8.25 PCT 13/23.10.2018	Angola	October, 2018	7.750%	13,568	14,115	12,412
OT Angola 7.50 PCT 15/15.06.2018	Angola	June, 2019	7.500%	6,501	6,389	5,409
OT Angola 7.7 PCT 15/15.06.2020	Angola	June, 2020	7.700%	6,501	6,294	5,207
OT Angola 8 PCT 15/15.06.2021	Angola	June, 2021	8.000%	6,501	6,206	5,094
OT Angola 8.25 PCT 15/15.06.2022	Angola	June, 2022	8.250%	6,502	6,094	4,998
					118,125	115,817
ISSUED BY OTHER ENTITIES						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,190	82,100
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0.005%	40,000	38,968	31,773
STCP 00/05.06.2022 – 100Mios Call Semest. a Partir 10Cpn – Min.10Mios	Portugal	June, 2022	Euribor 6M+0.0069%	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0.54%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.16%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.6%	17,800	17,821	14,187
					376,766	367,008
					494,891	482,825

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2016, is as follows:

(Thousand of Euros)

	2016				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
FIXED INCOME					
Bonds issued by public entities					
Foreign issuers	-	41,106	111,013	-	152,119
Bonds issued by other entities					
Portuguese issuers	-	-	74,578	137,761	212,339
Foreign issuers	51,527	-	-	95,196	146,723
	51,527	41,106	185,591	232,957	511,181

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2015 is as follows:

(Thousand of Euros)

	2015				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
FIXED INCOME					
Bonds issued by public entities					
Foreign issuers	3,929	-	101,896	12,300	118,125
Bonds issued by other entities					
Portuguese issuers	-	-	74,191	137,436	211,627
Foreign issuers	-	-	51,337	113,802	165,139
	3,929	-	227,424	263,538	494,891

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousand of Euros)

	2016	2015
Transports and communications	173,287	172,658
Services	185,775	204,108
	359,062	376,766
Government and Public securities	152,119	118,125
	511,181	494,891

As referred in note 52, as part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, in which are included fixed income securities. As at 31 December 2016, this caption includes Euros 51,447,000 (31 December 2015: Euros 131,698,000) of securities included in the ECB's monetary policy pool.

26. INVESTMENTS IN ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Portuguese credit institutions	46,271	34,465
Foreign credit institutions	253,478	31,776
Other Portuguese companies	277,454	243,943
Other foreign companies	21,663	5,545
	598,866	315,729

The balance Investments in associated companies is analysed as follows:

(Thousand of Euros)

	2016			2015
	Value of ownership on equity	Goodwill	Total	
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	244,497	-	244,497	222,914
Banco Millennium Atlântico, S.A.	116,833	102,921	219,754	-
Unicre – Instituição Financeira de Crédito, S.A.	38,836	7,436	46,272	34,465
Banque BCP, S.A.S.	32,437	-	32,437	29,240
SIBS, S.G.P.S, S.A.	25,575	-	25,575	19,651
Banque BCP (Luxembourg), S.A.	1,286	-	1,286	2,536
Webspectator Corporation	100	18,011	18,111	-
Others	10,934	-	10,934	6,923
	470,498	128,368	598,866	315,729

These investments correspond to unquoted companies. According to the accounting policy described in note 1 b), these investments are measured at the equity method.

The Group's companies included in the consolidation perimeter are presented in note 59.

In accordance with the note 47, the Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S,A., which started to be accounted by the equity method in May 2016. The main impacts of this transaction are detailed in note 58.

The goodwill associated with Banco Millennium Atlântico, S.A. was determined as follows:

(Thousand of Euros)

	2016
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	
Transaction value	205,140
Banco Millennium Atlântico, S.A. equity (April 2016)	(135,540)
Goodwill arising from the merger operation	69,600
Goodwill accounted in Banco Millennium Atlântico, S.A. accounts	31,061
	100,661

The fair value estimate of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash-flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted essentially by the currency translation adjustments from the end of the year until that date. Additionally, it was considered an adjustment in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main indicators of the principal associated companies are analysed as follows:

(Thousand of Euros)

	Country	% held	Total Assets	Total Liabilities	Total Income	Net income / (loss) for the year
DEC. 2016[a]						
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	10,519,633	9,693,976	743,285	40,342
Banco Millennium Atlântico, S.A.	Angola	22.7	5,543,186	4,882,720	609,145	137,761
Unicre – Instituição Financeira de Crédito, S.A.[*]	Portugal	32.0	347,231	209,304	205,792	62,008
Banque BCP, S.A.S.	France	19.9	3,217,286	3,054,283	118,315	15,015
SIBS, S.G.P.S, S.A.[*]	Portugal	22.7	158,404	59,402	164,555	43,000
Banque BCP (Luxembourg), S.A.	Luxembourg	3.6	590,770	555,371	16,633	850
DEC. 2015[b]						
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	10,787,729	9,993,327	1,108,724	18,160
Unicre – Instituição Financeira de Crédito, S.A.	Portugal	32.0	347,231	209,304	205,792	39,872
Banque BCP, S.A.S.	France	19.9	2,555,870	2,408,936	123,780	14,817
SIBS, S.G.P.S, S.A.	Portugal	21.9	158,404	59,402	164,555	20,426
Banque BCP (Luxembourg), S.A.	Luxembourg	7.3	581,085	546,535	17,183	755

[*] Provisional values.
[a] Non audited accounts
[b] Audited accounts

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, S.G.P.S., S.A. and Banco Millennium Atlântico, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousand of Euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.
	2016	2015	2016
Income	743.285	1.108.724	609.145
Net profit for the year	40,342	18,160	137,761
Comprehensive income	(9,087)	(2,049)	3,322
Total comprehensive income	31,255	16,111	141,083
Attributable to shareholders of the associates	31,255	16,111	141,083
Comprehensive income (pre acquisition)			(78,663)
Adjustments of intragroup transactions (reverse of the VOBA annual amortization)(*)	12,792	13,440	
Attributable to shareholders of the associates adjusted of intragroup transactions	44,047	29,551	62,420
Attributable to the BCP Group	21,583	14,480	14,061
Financial assets	10,124,342	10,328,469	4,866,955
Non-financial assets	395,291	459,260	676,231
Financial liabilities	(9,581,715)	(9,860,240)	(4,714,890)
Non-financial liabilities	(112,261)	(133,087)	(167,830)
Equity	825,657	794,402	660,466
Attributable to shareholders of the associates	825,657	794,402	660,466
Adjustments of intragroup transactions (reverse of the VOBA total amortizations)(*)	304,219	291,427	
Attributable to shareholders of the associates adjusted of intragroup transactions	1,129,876	1,085,829	660,466
Attributable to the BCP Group	553,639	532,056	150,154
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)	
Goodwill of the merge			69,600
Attributable to the BCP Group adjusted of consolidation items	244,497	222,914	219,754

(*) The VOBA corresponds to the estimated current value of the future cash-flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognized in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortized over the period of recognition of the income associated with the policies acquired.

The movement of these investments for the years ended 31 December 2016 and 2015 is as follows:

(Thousand of Euros)

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.
	2016	2015	2016
Ownership held by BCP on equity of the associates as at 1 January	222,914	236,768	-
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	205,140
Exchange differences	-	-	11,632
Other comprehensive income attributable to BCP during the year	(4,453)	6,294	755
Dividends received	-	(29,400)	(10,031)
Appropriation by BCP of net income of the associates(*)	26,036	15,484	13,306
Appropriation of the net income of previous years	-	(7,298)	-
Other adjustments	-	1,066	(1,048)
Investment held as at 31 December	244,497	222,914	219,754

(*) Includes adjustments of intragroup transactions.

27. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
REAL ESTATE		
Assets arising from recovered loans results	**1,798,040**	1,482,583
Assets belong to investments funds and real estate companies	**529,261**	333,209
Assets for own use (closed branches)	**77,323**	46,850
Equipment and other	**31,577**	32,179
Other assets	**41,537**	135,731
	2,477,738	2,030,552
IMPAIRMENT		
Real estate		
Assets arising from recovered loans results	**(203,020)**	(227,697)
Assets belong to investments funds and real estate companies	**(7,277)**	(4,450)
Assets for own use (closed branches)	**(7,106)**	(18,351)
Others	**(10,176)**	(14,672)
	(227,579)	(265,170)
	2,250,159	1,765,382

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Real estate – Assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial auction following the resolution of credit agreements to customers which are accounted following the establishment of the contract or promise of recovered loans and the respective irrevocable power of attorney issued by the client on behalf of the Bank.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The Group requests, regularly, to the Bank of Portugal, following the Article 114.º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

The referred balance includes real estate for which the Group has already established contracts for the sale in the amount of Euros 92,682,000 (31 December 2015: Euros 40,660,000), which impairment associated is Euros 17,435,000 (31 December 2015: Euros 17,415.000), which was calculated considering the value of the contracts.

Additional information on these assets is presented in note 52.

During 2016, were made transfers from the caption Investment Property to this caption in the amount of Euros 112,481,000.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	**265,170**	261,575
Transfers	**(13,786)**	6,000
Impairment for the year	**51,296**	65,293
Amounts charged-off	**(73,980)**	(67,663)
Exchange rate differences	**(1,121)**	(35)
BALANCE ON 31 DECEMBER	**227,579**	265,170

28. INVESTMENT PROPERTY

As at 31 December 2016, the balance Investment property includes the amount of Euros 8,249,000 (31 December 2015: Euros 144,644,000) related to real estate accounted in the Fundo de Investimento Imobiliário Imosotto Acumulação, Fundo de Investimento Imobiliário Gestão Imobiliária, Fundo de Investimento Imobiliário Imorenda, Fundo de Investimento Imobiliário Fechado Gestimo which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

The rents received during 2016, related to these assets amounted to Euros 1,101,000 (31 December 2015: Euros 1,328,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 375,000 (31 December 2015: Euros 1,145,000).

During 2016, these assets were transferred to non-current assets held for sale in the amount of Euros 112,481,000.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	**146,280**	176,519
Transfers to non-current assets held for sale (note 27)	**(112,481)**	-
Transfers from / to tangible assets	**19,283**	7,704
Revaluations	**(7,963)**	(20,739)
Disposals	**(32,427)**	(17,204)
BALANCE ON 31 DECEMBER	**12,692**	146,280

29. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Land and buildings	**841,497**	1,058,719
Equipment		
Furniture	**82,947**	88,230
Machinery	**44,642**	55,715
Computer equipment	**286,268**	298,890
Interior installations	**136,563**	147,051
Motor vehicles	**24,857**	27,238
Security equipment	**71,391**	80,307
Other equipment	**29,696**	31,157
Work in progress	**16,532**	16,661
Other tangible assets	**219**	4,711
	1,534,612	1,808,679
ACCUMULATED DEPRECIATION		
Charge for the year (note 11)	**(39,100)**	(41,773)
Charge for the previous years	**(1,021,646)**	(1,096,035)
	(1,060,746)	(1,137,808)
	473,866	670,871

The changes occurred in Property and equipment balance, during 2016, are analysed as follows:

(Thousand of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Land and buildings	1,058,719	828	(40,487)	(119,685)	(57,878)	841,497
Equipment						
Furniture	88,230	3,033	(3,720)	(2,015)	(2,581)	82,947
Machinery	55,715	472	(2,082)	(6,414)	(3,049)	44,642
Computer equipment	298,890	9,625	(6,790)	(3,762)	(11,695)	286,268
Interior installations	147,051	1,469	(2,496)	(4,170)	(5,291)	136,563
Motor vehicles	27,238	5,696	(2,616)	(2,190)	(3,271)	24,857
Security equipment	80,307	2,086	(3,901)	(4,537)	(2,564)	71,391
Other equipment	31,157	17	(2,540)	2,322	(1,260)	29,696
Work in progress	16,661	32,997	(835)	(30,609)	(1,682)	16,532
Other tangible assets	4,711	32	(275)	(3,487)	(762)	219
	1,808,679	56,255	(65,742)	(174,547)	(90,033)	1,534,612
ACCUMULATED DEPRECIATION						
Land and buildings	487,264	19,443	(31,097)	(16,538)	(9,052)	450,020
Equipment						
Furniture	79,872	1,694	(3,641)	(1,395)	(1,407)	75,123
Machinery	49,834	691	(2,075)	(4,624)	(2,341)	41,485
Computer equipment	279,652	7,469	(6,764)	(4,697)	(9,180)	266,480
Interior installations	131,678	1,793	(2,471)	(1,749)	(2,504)	126,747
Motor vehicles	14,536	4,287	(1,978)	(1,528)	(2,125)	13,192
Security equipment	71,142	1,582	(3,897)	(1,709)	(1,528)	65,590
Other equipment	23,389	2,141	(2,323)	(195)	(940)	22,072
Other tangible assets	441	-	(4)	(331)	(69)	37
	1,137,808	39,100	(54,250)	(32,766)	(29,146)	1,060,746

30. GOODWILL AND INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
INTANGIBLE ASSETS		
Software	101,739	120,432
Other intangible assets	52,509	52,496
	154,248	172,928
ACCUMULATED DEPRECIATION		
Charge for the year (note 11)	(10,724)	(12,305)
Charge for the previous years	(111,349)	(125,401)
	(122,073)	(137,706)
	32,175	35,222
DIFFERENCES ARISING ON CONSOLIDATION (GOODWILL)		
Bank Millennium, S.A. (Poland)	125,447	125,447
Real estate and mortgage credit	40,859	40,859
Others	31,354	26,095
	197,660	192,401
IMPAIRMENT		
Real estate and mortgage credit	(40,859)	-
Others	(26,870)	(16,707)
	(67,729)	(16,707)
	129,931	175,694
	162,106	210,916

The changes occurred in goodwill and intangible assets balances, during 2016, are analysed as follows:

(Thousand of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
INTANGIBLE ASSETS						
Software	120,432	13,026	(14,430)	(9,540)	(7,749)	101,739
Other intangible assets	52,496	-	-	1,761	(1,748)	52,509
	172,928	13,026	(14,430)	(7,779)	(9,497)	154,248
ACCUMULATED DEPRECIATION						
Software	86,983	10,197	(14,323)	(5,019)	(5,609)	72,229
Other intangible assets	50,723	527	-	279	(1,685)	49,844
	137,706	10,724	(14,323)	(4,740)	(7,294)	122,073
Differences arising on consolidation (Goodwill)	192,401	13,816	-	(8,429)	(128)	197,660
Impairment for goodwill	16,707	51,022	-	-	-	67,729

According to the accounting policy described in note 1 b), the recoverable amount of the goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value.

In accordance with IAS 36, the recoverable amount of goodwill should be the greater between its value in use (the present value of the future cash-flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made, in 2016, valuations of their investments for which there is goodwill recognised considering among other factors:
(i) An estimate of future cash-flows generated by each cash generating unit;
(ii) An expectation of potential changes in the amounts and timing of cash-flows;
(iii) The time value of money;
(iv) A risk premium associated with the uncertainty by holding the asset;
(v) Other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

Bank Millennium, S.A. (Polónia)

The estimated cash-flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2021. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2017 to 2021, considering, along this period, a compound annual growth rate of 4.9% for Total Assets and of 8.8% for Total Equity, while considering a ROE evolution from 8.0% in 2017 to 9.6% by the end of the period.

The exchange rate EUR / PLN considered was 4.4047 at the end of 2016 (December 2016 average: 4.4322).

The Cost of Equity considered was 9.50% for the period 2017-2021 and in perpetuity. The annual growth rate in perpetuity (g) was 3.1%.

Real estate and mortgage credit

Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole.

The estimated cash-flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee for real estate business and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion.

The real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for such business unit comprises a five-year period, from 2017 to 2021, considering, along this period, an average annual decrease rate of -8.1% for total assets and of 0.5% for the allocated capital. As a consequence of the impairment test made, it was recognised during 2016 an impairment loss of Euros 40,859,000 corresponding to 100.0% of the goodwill associated.

31. INCOME TAX

Deferred income tax assets and liabilities are analysed as follows:

(Thousand of Euros)

	2016			2015		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
DEFERRED TAXES NOT DEPENDING ON THE FUTURE PROFITS[(a)]						
Impairment losses	**927,675**	**-**	**927,675**	940,454	-	940,454
Employee benefits	**789,000**	**-**	**789,000**	767,077	-	767,077
	1,716,675	**-**	**1,716,675**	1,707,531	-	1,707,531
DEFERRED TAXES DEPENDING ON THE FUTURE PROFITS						
Intangible assets	**39**	**-**	**39**	43	-	43
Other tangible assets	**8,289**	**3,547**	**4,742**	7,370	3,825	3,545
Impairment losses	**928,645**	**50,303**	**878,342**	930,319	521,777	408,542
Employee benefits	**60,083**	**27,248**	**32,835**	2,637	-	2,637
Financial assets available for sale	**60,828**	**5,458**	**55,370**	27,498	33,694	(6,196)
Derivatives	**-**	**7,444**	**(7,444)**	-	7,663	(7,663)
Tax losses carried forward	**494,785**	**-**	**494,785**	318,494	-	318,494
Others	**34,258**	**27,366**	**6,892**	168,731	48,968	119,763
	1,586,927	**121,366**	**1,465,561**	1,455,092	615,927	839,165
TOTAL DEFERRED TAXES	**3,303,602**	**121,366**	**3,182,236**	3,162,623	615,927	2,546,696
Offset between deferred tax assets and deferred tax liabilities	**(118,677)**	**(118,677)**	**-**	(601,117)	(601,117)	-
NET DEFERRED TAXES	**3,184,925**	**2,689**	**3,182,236**	2,561,506	14,810	2,546,696

[(a)] Special Regime applicable to deferred tax assets

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of August 26, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not apply to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Law no. 61/2014, of 26 August, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August, is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2015, of 4 October, about the control and use of tax credits, and by the ordinance No. 293-A / 2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until ten years after the date of its creation, and the issuing bank shall deposit in the name of the State the amount of the price corresponding to all the rights issued, within three months of date of its creation, in advance and independently of its acquisition. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate for Banco Comercial Português, S.A. is analysed as follows:

Description	2016	2015
Income tax	21%	21%
Municipal surtax rate	1.5%	1.5%
State tax rate	7%	7%
TOTAL	29.5%	29.5%

The tax applicable to deferred taxes related to tax losses of the Bank is 21% (31 December 2015: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 29.43% (December 31, 2015: 29.5%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 30% in Angola, 32% in Mozambique, 0% (exemption) in the Cayman Islands and 24.24% in Switzerland.

The reporting period of tax losses in Portugal is five years for the losses of 2012 and 2013 and twelve years for the losses of 2014, 2015 and 2016. In Poland, the term is five years, in Angola it is three years, in Mozambique it is five years and in Switzerland it is seven years.

In 2016, Banco Comercial Português, S.A. opted for the Special Regime for Taxation of Groups of Companies (RETGS).

The balance of deferred tax assets, with reference to 31 December 2016, related to expenses and negative equity variations with post-employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014 amounts to Euros 1,640,215,000, of which Euros 210,686,000 and Euros 4,020,000 were recorded in 2015 and 2016, respectively, assets which are considered eligible for the scheme approved by Law no. 61/2014 of 26 August.

Aspects to highlight for the 2016 financial year

Following the publication of Notice 5/2015 of the Bank of Portugal, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (AAS) began to apply the International Financial Reporting Standards as adopted in the European Union, including but not limited to, the Bank's individual financial statements.

As a result of this change, the Bank's individual financial statements include the loans and advances portfolio, guarantees provided and other operations with analogous nature became subject to the recording of impairment losses calculated in accordance with the requirements of the International Financial Accounting 39 – Financial Instruments: Recognition and Measurement (IAS 39), replacing the recording of provisions for specific risk and for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of 18 November (Regulatory Decree), established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of the calculation of taxable income in 2016.

This Regulatory Decree establishes that the Notice No. 3/95 of Bank of Portugal (Notice that was relevant for the determination of provisions for credit in Financial statements presented in AAS) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for fiscal effects in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment which previously presented their financial statements in AAS.

In addition, the Regulatory Decree includes a transitional rule that provides for the possibility of a positive difference between the value of provisions for credit created on 1 January 2016 under Bank of Portugal Notice No. 3/95 and the impairment losses recorded on 1 January, 2016 referring to the same credits shall be considered in the determination of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

(Thousand of Euros)

Expire date	2016	2015
2016	-	2,072
2017	-	30,019
2018	4,069	113,145
2019-2025	4	253
2026	201,812	172,982
2028	288,877	-
2029 and following	23	23
	494,785	318,494

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 ad. ii, and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability.

The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried out for each entity included in the Group's consolidation perimeter based on the respective financial statements prepared under the budget process for 2017 and which support future taxable income for each Group's entity considering the macroeconomic and competitive environment, at the same time that incorporate the Group's strategic priorities.

The projections made take into consideration, in addition to the Group's strategic priorities, certain assumptions of the Funding and Capital Plan requested by Bank of Portugal, namely in terms of interest rate evolution, and are globally consistent with the Reduction Plan of Non-Performing Assets 2017-2021 sent it to the supervisory entity, underlining:

– Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;
– Stabilization of the ratio loans and advances over the balance sheet resources from customer by approximately 100%, simultaneously with a reduction of NPE of loans and advances in Portugal;
– Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2021) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula;
– Control of the operating expenses, in line with the targets defined in the Group's strategic priorities;
– Net income, projecting the favourable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2021 onwards, it is estimated an annual growth of the RAI, which reflects a partial convergence to the estimated Cost of Equity.

For the purposes of estimating taxable profits for the periods 2017 and following, the main assumptions considered were:

– In the absence of specific rules on the tax regime for credit impairment and guarantees for tax periods beginning on or after 1 January 2017, the approximation between the tax rules and the accounting rules underlying a preliminary draft of the Law amending article 28-C of the Corporate Income Tax Code, assuming for the purposes here relevant that the annual credit impairment allowances resulting from individual analysis are fully deductible as from 2017, that the annual credit impairment allowances resulting from collective analysis are deductible at 75%, and that the balance of impairment losses of the credit not accepted for tax purposes until 31 December 2016 is accepted for tax purposes over a period of 15 years, considering the increasing percentages referred to in the preliminary draft in question;
– Deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations. The deductions related to employee benefits are projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

It is present below the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: if there was a 5% reduction in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have a reduction of about Euros 73 million; if there was a 5% increase in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have an increase of about Euros 73 million.

In accordance with this assessment, the amount of unrecognized deferred tax, by year of expiration, is as follows:

(Thousand of Euros)

Tax losses carried forward	2016	2015
2017	**2,453**	263,275
2018	**1,594**	55,404
2019-2025	**3**	8
2026	**917**	121,775
2027 and following	**172,552**	5,611
	177,519	446,073

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 31 December 2016, is analysed as follows:

(Thousand of Euros)

	2016			
	Net income / (loss) for the year	Reserves and retained earnings	Exchange differences	Discontinued operations and other variations
DEFERRED TAXES				
Deferred taxes not depending on the future profits[a]				
Impairment losses	(12,779)	-	-	-
Employee benefits	21,425	498	-	-
	8,646	498	-	-
Deferred taxes depending on the future profits				
Intangible assets	(4)	-	-	-
Other tangible assets	1,248	-	(51)	-
Impairment losses	457,473	1,324	(2,680)	13,683
Employee benefits	8,211	20,759	1,228	-
Financial assets available for sale	-	66,519	(4,953)	-
Derivatives	950	-	(731)	-
Tax losses carried forward[b]	132,769	44,174	(652)	-
Others[c]	(114,001)	-	1,641	(511)
	486,646	132,776	(6,198)	13,172
	495,292	133,274	(6,198)	13,172
CURRENT TAXES				
Actual year[b]	(108,125)	(1,745)	-	2
Correction of previous years	(5,300)	-	-	-
	(113,425)	(1,745)	-	2
	381,867	131,529	(6,198)	13,174

[a] Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.
[b] The tax on reserves and retained earnings refers to realities recognised in reserves and retained earnings that compete for the purpose of calculating the tax loss.
[c] The caption Others includes essentially the reversal of deferred tax assets in the amount of approximately Euros 92,000,000 related to the distribution of dividends in 2016 by Group' subsidiaries.

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 31 December 2015, is analysed as follows:

(Thousand of Euros)

	2015 (restated)			
	Net income / (loss) for the year	Reserves and retained earnings	Exchange differences	Discontinued operations and other variations
DEFERRED TAXES				
Deferred taxes not depending on the future profits[a]				
Impairment losses	52,552	-	-	-
Employee benefits	15,547	65,951	-	-
	68,099	65,951	-	-
Deferred taxes depending on the future profits				
Other tangible assets	90	-	8	-
Impairment losses	109,406	-	1,039	(10,281)
Employee benefits	(284)	(18)	(816)	(445)
Financial assets available for sale	-	25,670	-	-
Derivatives	(6,079)	-	113	-
Tax losses carried forward	(137,289)	20,050	966	-
Others	19,727	-	(1,049)	(40)
	(14,429)	45,702	261	(10,766)
	53,670	111,653	261	(10,766)
CURRENT TAXES				
Actual year	(90,668)	259	-	-
Correction of previous years	(687)	-	-	-
	(91,355)	259	-	-
	(37,685)	111,912	261	(10,766)

[a] Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousand of Euros)

	2016	2015
Net income / (loss) before income taxes	**(281,280)**	308,319
Current tax rate	**29.5%**	29.5%
Expected tax	**82,978**	(90,954)
Non-deductible impairment	**(78,305)**	(14,319)
Contribution to the banking setor[a]	**(14,880)**	(7,356)
Results of companies consolidated by the equity method	**23,848**	7,039
Other accruals for the purpose of calculating the taxable income	**30,861**	6,463
Effect of difference of rate tax and deferred tax not recognised previously[b]	**334,449**	63,367
Correction of previous years	**4,989**	(200)
(Autonomous tax) / Tax credits	**(2,073)**	(1,725)
Total of income tax	**381,867**	(37,685)
Effective rate	**135.8%**	12.2%

[a] It respects to the effect of the contribution to the banking sector in Portugal, in the amount of Euros 7,574,000 (31 December 2015: Euros 7,356,000) and the tax on the banking sector in Poland, in the amount of Euros 7,559,000 (31 December 2015: Euros 0).
[b] The amount as at 31 December 2016 includes the deferred tax impact associated with the 2016 taxable loss in the amount of Euros 281,170,000, arising from the combination of the effects of the revocation of the Bank of Portugal Notice No. 3/95 of the special regime applicable to deferred tax assets (attached to Law no. 64/2014, of 26 August), of the temporary regime provided for in Regulatory Decree no. 5/2016 of 18 November and the conclusions on the recoverability of deferred taxes associated with taxable losses. The amount as at 31 December 2015 refers, essentially, to the recognition of deferred tax assets associated with post-employment or long-term employee benefits in excess of the limits.

32. OTHER ASSETS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Debtors		
Residents		
Insurance activity	**4,386**	838
Advances to suppliers	**1,663**	3,063
SIBS	**6,340**	7,397
Prosecution cases / agreements with the Bank	**11,481**	11,580
Receivables from real estate, transfers of assets and other securities	**55,693**	43,762
Others	**81,432**	35,530
Non-residents	**26,014**	45,623
Receivable dividends	**18,063**	-
Capital supplies	**214,810**	208,951
Capital supplementary contributions	**7,648**	10,085
Other financial investments	**20,426**	21,993
Gold and other precious metals	**3,635**	3,516
Deposit account applications	**280,675**	38,962
Debtors for futures and options transactions	**49,422**	86,595
Artistic patrimony	**28,811**	28,771
Amounts due for collection	**29,618**	34,302
Other recoverable tax	**24,558**	25,239
Subsidies receivables	**5,084**	9,117
Associated companies	**6,247**	1,535
Interest and other amounts receivable	**47,763**	52,708
Prepaid expenses	**31,662**	38,870
Amounts receivable on trading activity	**37,223**	177,439
Amounts due from customers	**227,376**	223,907
Reinsurance technical provision	**11,999**	3,423
Obligations with post-employment benefits (note 49)	**31,680**	22,182
Sundry assets	**91,494**	79,783
	1,355,203	1,215,171
Impairment for other assets	**(267,389)**	(240,943)
	1,087,814	974,228

As referred in note 57, the balance Capital supplies includes the amount of Euros 213,464,000 (31 December 2015: Euros 207,611,000) and the balance Capital supplementary contributions includes the amount of Euros 2,939,000 (31 December 2015: Euros 2,939,000), arising from the transfers of assets to specialized recovery funds which have impairment in the same amount. The impairment with impact on results in 2016 related to these operations amounted to Euros 5,853,000 (2015: Euros 6,599,000).

As at 31 December 2016, the caption Deposit account applications includes the amount of Euros 228,949,000 on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within three business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The changes occurred in impairment for other assets are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	240,943	138,959
Transfers resulting from changes in the Group's structure	-	339
Other transfers	21,484	91,691
Impairment for the year	16,741	14,374
Write back for the year	(1,111)	-
Amounts charged-off	(10,326)	(4,180)
Exchange rate differences	(342)	(240)
BALANCE ON 31 DECEMBER	267,389	240,943

33. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousand of Euros)

	2016			2015		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Resources and other financing from Central Banks						
Bank of Portugal	-	4,851,574	4,851,574	-	5,484,916	5,484,916
Central Banks abroad	-	300,098	300,098	-	378,485	378,485
	-	5,151,672	5,151,672	-	5,863,401	5,863,401
Resources from credit institutions in Portugal						
Very short-term deposits	-	-	-	-	55,113	55,113
Sight deposits	126,260	-	126,260	59,930	-	59,930
Term Deposits	-	428,861	428,861	-	39,263	39,263
Loans obtained	-	2,978	2,978	-	-	-
Other resources	1,240	-	1,240	1,242	-	1,242
	127,500	431,839	559,339	61,172	94,376	155,548
Resources from credit institutions abroad						
Very short-term deposits	-	11	11	-	61	61
Sight deposits	151,516	-	151,516	211,214	-	211,214
Term Deposits	-	240,712	240,712	-	300,146	300,146
Loans obtained	-	1,450,724	1,450,724	-	1,035,359	1,035,359
Sales operations with repurchase agreement	-	2,317,772	2,317,772	-	969,949	969,949
Other resources	-	66,649	66,649	-	55,367	55,367
	151,516	4,075,868	4,227,384	211,214	2,360,882	2,572,096
	279,016	9,659,379	9,938,395	272,386	8,318,659	8,591,045

This balance is analysed by remaining period, as follows:

(Thousand of Euros)

	2016	2015
Up to 3 months	**3,872,736**	5,874,301
3 to 6 months	**572,265**	193,975
6 to 12 months	**135,795**	193,482
1 to 5 years	**4,377,349**	1,770,072
Over 5 years	**980,250**	559,215
	9,938,395	8,591,045

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements (Cash collateral), the amount of Euros 66,485,000 (31 December 2015: Euros 71,669,000). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions – Resources from credit institutions abroad – Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

34. RESOURCES FROM CUSTOMERS

This balance is analysed as follows:

(Thousand of Euros)

	2016			2015		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	**21,710,318**	**306,781**	**22,017,099**	20,406,432	137,036	20,543,468
Term deposits	**-**	**20,459,067**	**20,459,067**	-	24,604,427	24,604,427
Saving accounts	**-**	**2,841,677**	**2,841,677**	-	2,372,829	2,372,829
Deposits at fair value through profit and loss	**-**	**2,985,741**	**2,985,741**	-	3,593,761	3,593,761
Treasury bills and other assets sold under repurchase agreement	**-**	**137,707**	**137,707**	-	89,966	89,966
Cheques and orders to pay	**320,159**	**-**	**320,159**	213,209	-	213,209
Other	**-**	**36,197**	**36,197**	-	120,923	120,923
	22,030,477	**26,767,170**	**48,797,647**	20,619,641	30,918,942	51,538,583

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

The caption Deposits from customers – Deposits at fair value through profit and loss is measured at fair value in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these instruments are classified in level 3 (note 48). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d) and a gain of Euros 3,239,000 was recognised during 2016 (2015: loss of Euros 1,302,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers – Deposits at fair value through profit and loss amounts to, as at 31 December 2016, Euros 2,992,567,000 (31 December 2015: Euros 3,605,424,000).

This balance is analysed by remaining period is analysed as follows:

(Thousand of Euros)

	2016	2015
DEPOSITS REPAYABLE ON DEMAND	**22.017.099**	20.543.468
TERM DEPOSITS AND SAVING ACCOUNTS		
Up to 3 months	**12,560,385**	13,438,527
3 to 6 months	**5,387,582**	5,716,509
6 to 12 months	**4,605,137**	6,320,167
1 to 5 years	**610,468**	1,416,933
Over 5 years	**137,172**	85,119
	23,300,744	26,977,255
DEPOSITS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Up to 3 months	**400,681**	302,691
3 to 6 months	**338,827**	529,869
6 to 12 months	**602,762**	1,252,055
1 to 5 years	**1,643,471**	1,509,146
	2,985,741	3,593,761
TREASURY BILLS AND OTHER ASSETS SOLD UNDER REPURCHASE AGREEMENT		
Up to 3 months	**137,707**	89,966
CHEQUES AND ORDERS TO PAY		
Up to 3 months	**320,159**	213,209
OTHER		
Up to 3 months	**2,768**	4,424
6 to 12 months	**1,286**	-
1 to 5 years	**10,143**	-
Over 5 years	**22,000**	116,500
	36,197	120,924
	48,797,647	51,538,583

35. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
DEBT SECURITIES AT AMORTIZED COST		
Bonds	**967,289**	1,691,299
Covered bonds	**926,793**	1,331,190
MTNs	**415,460**	546,739
Securitizations	**382,412**	439,013
	2,691,954	4,008,241
Accruals	**35,202**	44,430
	2,727,156	4,052,671
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Bonds	**38,709**	43,607
MTNs	**157,873**	160,150
	196,582	203,757
Accruals	**3,566**	3,996
	200,148	207,753
CERTIFICATES AT FAIR VALUE THROUGH PROFIT AND LOSS	**585,516**	507,845
	3,512,820	4,768,269

The securities in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2 (note 48). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). During 2016, a loss in the amount of Euros 1,368,000 was recognised (2015: loss of Euros 6,337,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal value of the balance Debt securities at fair value through profit and loss includes, as at 31 December 2016, the amount of Euros 177,890,000 (31 December 2015: Euros 187,440,000).

The characteristics of the bonds issued by the Group, as at 31 December 2016, are analysed as follows:

(Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
DEBT SECURITIES AT AMORTIZED COST					
BANCO COMERCIAL PORTUGUÊS:					
BCP Cov Bonds jun 07/17	June, 2007	June, 2017	Fixed rate 4.750%	920,750	926,793
BCP Fix out 2019–Vm Sr.44	November, 2011	October, 2019	Fixed rate de 6,875%	5,400	5,799
BCP Float fev 2017–Vm Sr.94-Ref.27	December, 2011	February, 2017	Until 18 May 2012: Fixed rate 1.958% year; after 18 May 2012: Euribor 3M + 0.5%	93,250	92,393
BCP Float abr 2017–Vm Sr.95-Ref.28	December, 2011	April, 2017	Until 1Apr 2012: Fixed rate 2.05% year; after 1 Apr 2012: Euribor 3M + 0.5%	90,000	88,482
BCP Float mai 2017–Vm Sr.96-Ref.29	December, 2011	May, 2017	Until 13 May 2012: Fixed rate 1.964% year; after 13 May 2012: Euribor 3M + 0.5%	44,450	43,341
BCP Float jul 2017–Vm Sr.97-Ref.30	December, 2011	July, 2017	Until 28Apr 2012: Fixed rate 2.738% year; after 28 Apr 2012: Euribor 3M + 1.15%	28,750	27,624
BCP Float ago 2017–Vm Sr.98-Ref.31	December, 2011	August, 2017	Until 5 May 2012: Fixed rate 2.08% year; after 5 May 2012: Euribor 3M + 0.5%	5,000	4,795
BCP Float set 2017–Vm Sr.99-Ref.32	December, 2011	September, 2017	Until 23 Jun 2012: Fixed rate 1.916% year; after 23 Jun 2012: Euribor 3M + 0.5%	14,500	13,804
BCP Float out 2017-Vm Sr.100 Ref.33	December, 2011	October, 2017	Until 28Apr 2012: Fixed rate 2.088% year; after 28 Apr 2012: Euribor 3M + 0.5%	48,350	45,593
BCP Float dez 2017-Vm Sr.101 Ref.34	December, 2011	December, 2017	Euribor 3M + 0.5%	65,900	61,379
BCP Float fev 2018-Vm 102-Ref.35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.5%	54,600	50,428
BCP Float mar 2018-Vm Sr.103 Ref.36	December, 2011	March, 2018	Euribor 3M + 0.5%	49,300	45,119
BCP Float mai 2018-Vm 104-Ref.37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.5%	38,500	34,891
BCP Float jan 2019-Vm 105-Ref.38	December, 2011	January, 2019	Until 5Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.81%	50,000	45,098
BCP Float fev 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1%	10,850	9,718
BCP Fixa out 2019-Vm Sr. 61	December, 2011	October, 2019	Fixed rate 6,875%	9,500	10,171
BCP Fixa out 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate 6,875%	4,000	4,269
BCP Floater jul 17-Vm Sr 122	February, 2012	July, 2017	Until 28 Jul 2012: fixed rate 2.738% year; after 28 Jul 2012: Euribor 3M + 1.15%	3,750	3,632
BCP Floater nov 18-Vm Sr 124	February, 2012	November, 2018	Until 3 ago 2012: fixed rate 1.715% year; after 3 ago 2012: Euribor 3M + 0.6%	30,000	26,712
BCP Floater jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.5%	18,500	16,872
BCP Fixa out 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate 6.875%	2,000	2,102
BCP Fixa out 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate 6.875%	4,900	5,152
BCP 4.75 Por Cento set -Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.750%	27,100	28,543
BCP 3.375 14/27.02.2017 EMTN 852	February, 2014	February, 2017	Fixed rate 3.375%	338,500	339,375
BCP Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.65% – underlying asset Brisa 022023	2,000	1,994
BCP 4.03 Maio 2021 Epvm Sr 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,546

(continues)

(continuation) (Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BANK MILLENNIUM:					
Bank Millennium - BPW_2017/01	January, 2014	January, 2017	Indexed to Wti Crude Oil	1,210	1,210
Bank Millennium - BPW_2017/01A	January, 2014	January, 2017	Indexed to Gold Fix Price	1,074	1,074
Bank Millennium - BPW_2017/02A	February, 2014	February, 2017	Indexed to FTSE 100 Index	665	665
Bank Millennium - BPW_2017/02	February, 2014	February, 2017	Indexed to Volkswagen	847	847
Bank Millennium - BPW_2017/03	March, 2014	March, 2017	Indexed to Gold Fix Price	1,171	1,171
Bank Millennium - BPW_2017/03A	March, 2014	March, 2017	Indexed to Wti Crude Oil	1,150	1,150
Bank Millennium - BKMO_280317C	March, 2014	March, 2017	Fixed rate 3.19%	113,117	113,117
Bank Millennium - BPW_2017/04	April, 2014	April,, 2017	Indexed to BMW AG	419	419
Bank Millennium - BPW_2017/04A	April, 2014	April, 2017	Indexed to OBXP	855	855
Bank Millennium - BPW_2017/05	May, 2014	May, 2017	Indexed to Pzu PW	1,163	1,163
Bank Millennium - BPW_2017/06	June, 2014	June, 2017	Indexed to Gold Fix Price	895	895
Bank Millennium - BPW_2017/07	July, 2014	July, 2017	Indexed to General Motors Co	786	786
Bank Millennium - BPW_2017/04C	October, 2014	April, 2017	Indexed to Swiss index	2,255	2,255
Bank Millennium - BPW_2017/11	November, 2014	November, 2017	Indexed to Nestle	1,233	1,233
Bank Millennium - BPW_2017/12	December, 2014	December, 2017	Indexed to Airbus	737	737
Bank Millennium - BPW_2018/01	January, 2015	January, 2018	Indexed to UPS	1,166	1,166
Bank Millennium - BPW_2018/02	February, 2015	February, 2018	Indexed to Volkswagen	1,231	1,231
Bank Millennium - BPW_2018/03	March, 2015	March, 2018	Indexed to Euro Stoxx 50	1,322	1,322
Bank Millennium - BPW_2018/04	April, 2015	April, 2018	Indexed to Euro Stoxx 50	2,045	2,045
Bank Millennium - BPW_2018/06	May, 2015	June, 2018	Indexed to Swiss index	2,317	2,317
Bank Millennium - BPW_2018/06A	June, 2015	June, 2018	Indexed to Ibex 35	1,910	1,910
Bank Millennium - BKMO_220618N	June, 2015	June, 2018	Fixed rate 3.01%	68,023	68,023
Bank Millennium - BPW_2018/07	July, 2015	July, 2018	Indexed a Platinum Price index	2,384	2,384
Bank Millennium - BPW_2018/08	August, 2015	August, 2018	Indexed to 4 indexes	3,375	3,375
Bank Millennium - BPW_2018/09	September, 2015	September, 2018	Indexed to 4 indexes	3,296	3,296
Bank Millennium - BPW_2018/10	October, 2015	October, 2018	Indexed to American Airlines Group	1,429	1,429
Bank Millennium - BPW_2018/11	November, 2015	November, 2018	Indexed to 4 indexes	1,905	1,905
Bank Millennium - BPW_2019/01	December, 2015	January, 2019	Indexed to 4 indexes	979	979
Bank Millennium - BPW_2019/01A	January, 2016	January, 2019	Indexed to 4 shares portfolio	885	885
Bank Millennium - BPW_2019/03	February, 2016	March, 2019	Indexed to Gold Fix Price	2,814	2,814
Bank Millennium – BPW_2019/03A	March, 2016	March, 2019	Indexed to Gold Fix Price	4,348	4,348
Bank Millennium – BPW_2019/03B	March, 2016	March, 2019	Indexed to Gold Fix Price	1,156	1,156
Millennium Leasing – G1	March, 2016	March, 2018	Fixed rate 2.97%	6,802	6,802
Millennium Leasing – G2	March, 2016	March, 2018	Fixed rate 2.97%	2,948	2,948
Bank Millennium – BPW_2019/04	April, 2016	April, 2019	Indexed to Gold Fix Price	3,048	3,048
Bank Millennium – BPW_2019/04A	April, 2016	April, 2019	Indexed to DAX index	1,119	1,119
Bank Millennium – BPW_2019/05	May, 2016	May, 2019	Indexed a Platinum Price index	2,903	2,903
Millennium Leasing - G3	May, 2016	May, 2018	Fixed rate 2.97%	7,936	7,936
Bank Millennium - BPW_2019/06A	June, 2016	June, 2019	Indexed to portfolio of 5 shares	2,947	2,947

(continues)

(continuation) (Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Millennium Leasing - G4	June, 2016	May, 2018	Fixed rate 2.98%	4,535	4,535
Bank Millennium – BPW_2019/07	July, 2016	July, 2019	Indexed to Gold Fix Price	2,608	2,608
Bank Millennium – BPW_2019/08	August, 2016	August, 2019	Indexed to Silver Fix Price	1,694	1,694
Bank Millennium – BPW_2019/09	September, 2016	September, 2019	Indexed to Gold Fix Price	1,941	1,941
Bank Millennium – BKMO190617S	September, 2016	June, 2017	Fixed rate 1.97%	6,740	6,740
Millennium Leasing – G5	September, 2016	September, 2018	Fixed rate 2.91%	5,895	5,895
Millennium Leasing – F13	December, 2016	March, 2017	Fixed rate 2.23%	9,274	9,274
Millennium Leasing – F14	December, 2016	June, 2017	Fixed rate 2.23%	8,276	8,276
BCP FINANCE BANK:					
BCP Fin.Bank – EUR 10 M	March, 2004	March, 2024	Fixed rate 5.010%	10,000	10,777
BCP Fin.Bank – EUR 100 M	January, 2007	January, 2017	Euribor 3M + 0.175%	50,350	50,350
BCP Finance Bank – EUR 15 M	July, 2009	July, 2017	Euribor 3M + 2.5% underlying asset – Bonds Brisa 09/280717	15,000	14,962
MAGELLAN MORTGAGES NO. 2:					
SPV Magellan No. 2 – Class A Notes	October, 2003	July, 2036	Euribor 3M + 0.440%	64,195	64,195
SPV Magellan No. 2 – Class B Notes	October, 2003	July, 2036	Euribor 3M + 1.1%	39,640	39,640
SPV Magellan No. 2 – Class C Notes	October, 2003	July, 2036	Euribor 3M + 2.3%	18,900	18,900
SPV Magellan No. 2 – Class D Notes	October, 2003	July, 2036	Euribor 3M + 1.7%	3,500	3,500
MAGELLAN MORTGAGES NO. 3:					
Mbs Magellan Mortgages S 3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.26%	272,236	252,846
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.38%	2,182	2,026
Mbs Magellan Mortgages S. 3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.58%	1,405	1,305
					2,691,954
Accruals					35,202
					2,727,156
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS					
BANCO COMERCIAL PORTUGUÊS:					
BCP Cln Portugal – EMTN 726	June, 2010	June, 2018	Fixed rate 4.720% – underlying asset OT – 2018/06	59,100	62,410
BCP Eur Cln Port 2Emis jun 10/18	November, 2010	June, 2018	Fixed rate 4.450% – underlying asset OT – 2018/06	11,550	12,549
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate 4.8% – underlying asset OT – 2020/06	30,000	33,927
BCP Eur Cln Portugal 3Rd – EMTN 840	May, 2012	June, 2018	Fixed rate 4.450% – underlying asset OT – 2018/06	32,700	44,673
Part. Multisetorial Europ. – EMTN 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors	3,950	4,314
Inv.Zona Euro I 22012017 Epvm Sr 4	January, 2014	January, 2017	Indexed to DJ EuroStoxx 50	1,150	1,080
Inv Commodities Autc Epvm 16	November, 2014	November, 2017	Indexed to S&P GSCI ER index	1,340	692
BCP Reem Parc Eur Ind Xii 14 Epvm 18	December, 2014	December, 2017	1st quarter=2.25%; 2nd quarter=5.4%; 2nd semester=9%; 2nd year=4.5%;3rd year=4.5%	220	183
BCP Reemb Parciais Eur Ind I – Epvm 20	February, 2015	January, 2018	Until 15 Apr 2015: Fixed rate 3.164%; after 15 Apr 2015 until 15 Jul 2015: Fixed rate 5.4%; after 15 Jul 2015 until 15 Jan 2016: Fixed rate 9%; after 15 Jan 2016 until 15 Jan 2017: Fixed rate 4.5%; after 15 Jan 2017 until 15 Jan 2018: Fixed rate 4.5%	1,790	1,489

(continues)

(continuation) (Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Reemb Parc Indic Europ Ii – Epvm 22	February, 2015	February, 2017	Until 4 May 2015: Fixed rate 1.776%; after 4 May 2015 until 4 Aug 2015: Fixed rate 3.6%; after 4 Aug 2015 until 4 Feb 2016: Fixed rate 6%; after 4 Feb 2016 until 6 Feb 2017: Fixed rate 2.983%	326	323
BCP Reemb Parc Multi Sect Iv – Epvm 25	April, 2015	April, 2017	Until 16 Jul 2015: Fixed rate 2%; after 16 Jul 2015 until 16 Oct 2015: Fixed rate 4.8%; after 16 Oct 2015 until 16 Apr 2016: Fixed rate 8%; after 16 Apr 2016 until 16 Apr 2017: Fixed rate 4%	314	301
BCP Retor Ec Zo Eur Autoc Iv – Epvm 26	April, 2015	April, 2017	Indexed to DJ EuroStoxx 50	3,050	3,108
BCP Inv Cab Ba Volatil V – Epvm 28	May, 2015	May, 2017	Indexed to S&P Europe 350 Low Volatility	1,520	1,365
BCP Ind Setor Cup Fixo Vi – Epvm 29	June, 2015	June, 2018	1st year Fixed rate 9%; 2nd year and followings indexed to a portfolio of 3 indexes	2,810	2,649
BCP Rend Indic Set Autoc Vii – Epvm 30	July, 2015	July, 2017	Indexed to a portfolio of 3 indexes	2,180	2,138
BCP Inv Eur Div Autoc. Vii – Epvm 31	July, 2015	July, 2018	Indexed to EuroStoxx Select Dividend 30	1,100	1,128
BCP Rend Acoes Zon Eur Autc – Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,770	1,617
BCP Reem Parc Ind Setor Xi – Epvm 34	November, 2015	November, 2017	Until 12 Feb 2016: Fixed rate 1.5%; after 12 Feb 2016 until 12 May 2016: Fixed rate 3.6%; after 12 May 2016 until 12 Nov 2016: Fixed rate 6%; after 12 Nov 2016 until 12 Nov 2017: Fixed rate 3%	672	640
BCP Rend Ind Glob Autoc Xi – Epvm 36	November, 2015	November, 2017	Indexed to a portfolio of 3 indexes	1,600	1,654
BCP Inv Banc Zona Eur Xi – Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	687
BCP Inv Eur Glob Autoc Xi – Epvm 35	November, 2015	November, 2017	Indexed to Stoxx Europe 600 index	2,960	3,179
BCP Reemb Par Ind Setor Xii – Epvm 39	December, 2015	December, 2017	Until 11 Mar 2016: Fixed rate 1.624%; after 11 Mar 2016 until 11 Jun 2016: Fixed rate 3.9%; after 11 Jun 2016 until 11 Dec 2016: Fixed rate 6.5%; after 11 Dec 2016 until 11 Dec 2017: Fixed rate 3.25%	260	246
BCP Rend Zon Eur Autoc Xii – Epvm 38	December, 2015	December, 2018	Indexed to EuroStoxx 50	3,060	2,841
BCP Rend E Part Zo Eur Autoc – Epvm Sr40	January, 2016	January, 2019	Indexed to EuroStoxx	1,730	1,593
BCP Ree Parc Eur Ind Ii Eur – Epvm Sr41	February, 2016	February, 2018	Until 4 May 2016: Fixed rate 1.752%; after 4 May 2016 until 4 Aug 2016: Fixed rate 4.2%; after 4 Aug 2016 until 4 Feb 2017: Fixed rate 7%; after 4 Feb 2017 until 6 Feb 2018: Fixed rate 3.5196%	268	238
BCP Inv Eur – Ac Autoc Ii Eur – Epvm 42	February, 2016	February, 2019	Indexed to EuroStoxx	1,750	1,772
BCP Inv Acoes Zona Eur Iii – Epvm 43	March, 2016	April, 2018	Indexed to EuroStoxx	1,700	1,834
BCP Val Ac Zon Eur Autoc V – Epvm Sr44	May, 2016	May, 2019	Indexed to a portfolio of 2 indexes	1,750	1,730
Acoes Z Eur Ret Trim Vi/16 – Epvm Sr45	June, 2016	June, 2017	Indexed to EuroStoxx	2,200	2,246
Inv Set Farm Autoc Vii – Epvm Sr46	July, 2016	July, 2019	Indexed to EuroStoxx	1,120	1,111
Inv Euro Ac Autoc Xi Eur – Epvm47	November, 2016	November, 2018	Indexed to EuroStoxx	1,490	1,438
BCP Rend Fix Telec Autoc Xii/16 – Epvm48	December, 2016	December, 2018	Fixed rate of 6%	1,460	1,427
					196,582
Accruals					3,566
					200,148

This balance, as at 31 December 2016, excluding accruals, is analysed by the remaining period, as follows:

(Thousand of Euros)

	2016					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
DEBT SECURITIES AT AMORTIZED COST						
Bonds	220,905	152,426	159,583	432,381	1,994	967,289
Covered bonds	-	926,793	-	-	-	926,793
MTNs	389,721	-	14,962	-	10,777	415,460
Securitizations	-	-	-	-	382,412	382,412
	610,626	1,079,219	174,545	432,381	395,183	2,691,954
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,403	7,020	8,732	21,554	-	38,709
MTNs	-	-	-	157,873	-	157,873
	1,403	7,020	8,732	179,427	-	196,582
CERTIFICATES	-	-	-	-	585,516	585,516
	612,029	1,086,239	183,277	611,808	980,699	3,474,052

This balance, as at 31 December 2015, excluding accruals, is analysed by the remaining period, as follows:

(Thousand of Euros)

	2015					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
DEBT SECURITIES AT AMORTIZED COST						
Bonds	133,696	407,488	203,440	941,930	4,745	1,691,299
Covered bonds	-	-	381,168	950,022	-	1,331,190
MTNs	12,925	-	897	522,367	10,550	546,739
Securitizations	-	-	-	-	439,013	439,013
	146,621	407,488	585,505	2,414,319	454,308	4,008,241
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,785	4,727	5,829	31,266	-	43,607
MTNs	1,142	-	2,601	156,407	-	160,150
	2,927	4,727	8,430	187,673	-	203,757
CERTIFICATES	-	-	-	-	507,845	507,845
	149,548	412,215	593,935	2,601,992	962,153	4,719,843

36. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Short selling securities	24,228	-
Trading derivatives (note 23):		
FRA	-	8
Swaps	498,702	590,037
Options	4,457	69,090
Embedded derivatives	6,111	9,335
Forwards	6,225	5,982
Others	7,864	48,776
	523,359	723,228
	547,587	723,228
Level 1	234	63,153
Level 2	459,309	643,567
Level 3	88,044	16,508

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 48.

The balance Financial liabilities held for trading includes, as at 31 December 2016, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 6,111,000 (31 December 2015: Euros 9,335,000). This note should be analysed together with note 23.

37. PROVISIONS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Provision for guarantees and other commitments (note 22)	128,056	74,710
TECHNICAL PROVISION FOR THE INSURANCE ACTIVITY:		
For direct insurance and reinsurance accepted:		
Unearned premium	10,490	14,695
Life insurance	34,751	46,553
For participation in profit and loss	431	3,039
Other technical provisions	15,816	8,905
Other provisions for liabilities and charges	131,506	136,908
	321,050	284,810

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	74,710	250,158
Transfers resulting from changes in the Group's structure	(930)	246
Other transfers	-	(158,870)
Charge for the year	64,536	8,827
Write-back for the year	(8,644)	(24,484)
Exchange rate differences	(1,616)	(1,167)
BALANCE ON 31 DECEMBER	128,056	74,710

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	136,908	127,403
Transfers resulting from changes in the Group's structure	(1,879)	1,059
Other transfers	11,844	(20,453)
Charge for the year	44,928	39,822
Write-back for the year	(12,433)	(430)
Amounts charged-off	(46,209)	(9,297)
Exchange rate differences	(1,653)	(1,196)
BALANCE ON 31 DECEMBER	131,506	136,908

The Other provisions were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 49,016,000 (31 December 2015: Euros 48,835,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

38. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Bonds		
Non Perpetual	804,547	849,026
Perpetual	28,955	28,760
CoCos	703,421	759,813
	1,536,923	1,637,599
Accruals	7,632	7,772
	1,544,555	1,645,371

The balance Subordinated debt – CoCos corresponds to hybrids subordinated debt instruments that qualify as core tier 1 Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Throughout 2014 and following the capital increase and the assessment of the evolution of capital ratios, the Bank repaid in May the amount of Euros 400,000,000 of core tier 1 capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier 1 capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the capital increase.

Under the Restructuring Plan approved by the European Commission following the injection of State funds in June 2012, Banco Comercial Português, S.A. became bound to a compromise catalogue that includes the need to sell its holding in Bank Millennium S.A. (Poland) if outstanding core tier 1 hybrid capital instruments subscribed by the Portuguese State ("CoCos") exceed Euros 700,000,000 as at 31 December 2016.

Banco Comercial Português, S.A. thereby informs that it will repay Euros 50,000,000 of CoCos up to 31 December 2016, thus meeting once again the deadlines established under the CoCos repayment plan agreed with the European Commission.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. Following the restructuring process agreed with DGComp, the Bank assumed certain commitments described in note 55. These instruments are eligible for prudential effects as core tier 1. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As referred in note 60, Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700,000,000.

As at 31 December 2016, the subordinated debt issues are analysed as follows:

(Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
NON PERPETUAL BONDS						
BANCO COMERCIAL PORTUGUÊS:						
MBCP Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,587	52,587	7,740
MBCP Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	2,357
BCP Ob Sub jun 2020 – EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	1,471
BCP Ob Sub ago 2020 – EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	1,222
BCP Ob Sub mar 2021 – EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	96,773
BCP Ob Sub abr 2021 – EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	54,521
BCP Ob Sub 3S abr 2021 – EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	30,158
BCP Sub 11/25.08.2019 – EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	8,011	3,979
BCP Subord set 2019 – EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,933	27,444
BCP Subord nov 2019 – EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	42,675	22,844
MBCP Subord dez 2019 – EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	28,260	15,650
MBCP Subord jan 2020 – EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,490	8,501
MBCP Subord fev 2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,730	14,541
BCP Subord abr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,485	33,235
BCP Subord 2 Serie abr 2020 – Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,650	16,417
BCP Subordinadas jul 20 – EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,370	18,404
BANK MILLENNIUM:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,466	150,466	29,257
BCP FINANCE BANK:						
BCP Fin Bank Ltd EMTN – 828	October, 2011	October, 2021	Fixed rate 13%	94,413	73,791	19,470
MAGELLAN NO. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					804,548	403,984
PERPETUAL BONDS						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	95	75	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0,9%	23,216	23,332	23,216
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2,25%	5,548	5,548	5,548
					28,955	28,764
COCOS						
BCP Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (xii)	700,000	703,420	700,000
Accruals					7,632	-
					1,544,555	1,132,748

References:
Date of exercise of the next call option – The first date is considered after the end of the restructuring period (31 December 2017). Subject to prior Approval of the Supervisory Authorities.
(i) March 2018
(ii) April, 2018
(iii) June, 2018
(iv) February, 2018
(v) March, 2018
(vi) June, 2018
(vii) March 2018
Interest rate
(viii) 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(ix) Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(x) 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;
(xi) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%;
(xii) 1st year: 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

As at 31 December 2015, the subordinated debt issues are analysed as follows:

(Thousand of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value	Own funds value
NON PERPETUAL BONDS						
BANCO COMERCIAL PORTUGUÊS:						
MBCP Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018 (i)	See reference (viii)	52,587	52,587	18,097
MBCP Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,888	14,888	5,335
BCP Ob Sub jun 2020 – EMTN 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	4,429
BCP Ob Sub ago 2020 – EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	3,077
BCP Ob Sub mar 2021 – EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	114,000
BCP Ob Sub abr 2021 – EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	64,100
BCP Ob Sub 3S abr 2021 – EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	35,000
BCP Sub 11/25.08.2019 – EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	8,122	5,479
BCP Subord set 2019 – EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	52,176	37,444
BCP Subord nov 2019 – EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	40,887	30,844
MBCP Subord dez 2019 – EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	26,527	20,970
MBCP Subord jan 2020 – EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	13,488	11,301
MBCP Subord fev 2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	22,654	19,141
BCP Subord abr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	50,311	43,435
BCP Subord 2 Serie abr 2020 – Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	24,545	21,417
BCP Subordinadas jul 20 – EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	25,140	23,654
BANK MILLENNIUM:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	149,916	149,916	59,133
BCP FINANCE BANK:						
BCP Fin Bank Ltd EMTN – 295	December, 2006	December, 2016	See reference (xi)	71,209	71,202	13,886
BCP Fin Bank Ltd EMTN – 828	October, 2011	October, 2021	Fixed rate 13%	82,447	59,370	17,722
MAGELLAN NO. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					849,026	548,464
PERPETUAL BONDS						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xii)	93	68	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.9%	23,025	23,256	23,025
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.25%	5,436	5,436	5,436
CoCos					28,760	28,461
BCP Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (xiii)	750,000	759,813	750,000
Accruals					7,772	-
					1,645,371	1,326,925

References:

Date of exercise of the next call option – The first date is considered after the end of the restructuring period (31 December 2017). Subject to prior Approval of the Supervisory Authorities.

(i) March 2018
(ii) April, 2018
(iii) June, 2018
(iv) February, 2018
(v) March, 2018
(vi) June, 2018
(vii) March 2018

Interest rate

(viii) 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(ix) Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(x) 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;
(xi) Euribor 3M + 0.3% (0.8% after December 2011);
(xii) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%;
(xiii) 1st year: 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

The analysis of the subordinated debt by remaining period is as folows:

(Thousand of Euros)

	2016	2015
3 to 6 months	**703,421**	-
Up to 1 year	**150,466**	71,202
1 to 5 years	**654,037**	1,265,123
Over 5 years	**44**	272,514
Undetermined	**28,955**	28,760
	1,536,923	1,637,599
Accruals	**7,632**	7,772
	1,544,555	1,645,371

39. OTHER LIABILITIES

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Creditors:		
Suppliers	**28,430**	34,562
From factoring operations	**13,717**	12,117
Associated companies	**30,132**	46,317
Deposit account applications and others applications	**108**	120
For futures and options transactions	**6,517**	4,485
For direct insurance and reinsurance operations	**9,853**	3,976
Obligations not covered by the Group Pension Fund – amounts payable by the Group	**47,989**	75,148
Other creditors		
Residents	**44,724**	53,029
Non-residents	**36,573**	71,576
Public sector	**32,643**	44,534
Interests and other amounts payable	**65,147**	67,874
Deferred income	**10,930**	10,431
Loans insurance received and to amortized	**52,164**	40,644
Holiday pay and subsidies	**50,910**	57,899
Other administrative costs payable	**2,856**	2,996
Amounts payable on trading activity	**803**	131,793
Operations to be settled – foreign, transfers and deposits	**301,696**	252,286
Negative equity in associated companies		
Luanda Waterfront Corporation	**9,473**	5,169
Nanium, S.A.	**2,367**	7,580
Other liabilities	**168,496**	152,139
	915,528	1,074,675

The caption Obligations not covered by the Group Pension Fund – amounts payable by the Group includes the amount of Euros 21,337,000 (31 December 2015: Euros 46,308,000) related to the seniority premium, as described in note 49. Additionally, this balance includes the amount of Euros 17,817,000 (31 December 2015: Euros 20,263,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

This caption also includes the amount of Euros 3,837,000 (31 December 2015: Euros 4,245,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 49. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Group.

The caption Amounts payable on trading activity includes amounts payable within three business days of stock exchange operations.

40. SHARE CAPITAL, PREFERENCE SHARES AND OTHER EQUITY INSTRUMENTS

As at 31 December 2016, the Bank's share capital amounts to Euros 4,268,817,689,20 and is represented by 944,624,372 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

In November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

In October 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

Following the authorization given in the Annual General Meeting of Shareholders of 11 May 2015, the Bank carried out an increase in its share capital from Euros 3,706,690,253.08 to Euros 4,094,235,361.88, by the issuance of 4,844,313,860 new ordinary, book-entry shares without nominal value, as a result of the partial and voluntary public tender offer for the acquisition of securities (preferred shares, perpetual securities and subordinated bonds) for exchange of new shares issued at the issue price of Euros 0.0834 per share (of which Euros 0.08 corresponds to the unitary issue value and Euros 0.0034 to share premium) and listing of the new ordinary shares on Euronext Lisbon. The issue price or value of the Public Exchange Offer was calculated using the volume weighted average quotation of BCP in the last five days applying a discount of 7%. The difference between the issue price (Euros 0.0834 per share), and the issue value (Euros 0.08 per share), resulted in a share premium of Euros 16,470,667.11.

In July 2015, the majority of the preference shares were exchanged for new debt instruments. As at 31 December 2016 and 2015, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:
– 439,684 preference shares with par value of Euros 100 each, perpetual without voting rights in the total amount of Euros 43,968,400, issued on 9 June 2004;
– 15,942 preference shares with par value of Euros 1,000 each, perpetual without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

Banco Comercial Português, S.A. issued on 29 June 2012 hybrids subordinated debt instruments qualified as core tier 1 Capital, (CoCos) fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Under the Restructuring Plan approved by the European Commission following the injection of State funds in June 2012, Banco Comercial Português, S.A. (BCP) became bound to a compromise catalogue that includes the need to sell its holding in Bank Millennium S.A. (Poland) if outstanding core tier 1 hybrid capital instruments subscribed by the Portuguese State ("CoCos") exceed Euros 700 million as at 31 December 2016.

Thus, the Bank reimbursed Euros 50,000,000 of core tier 1 hybrid instruments (CoCos) during the month of December 2016, thus meeting once again the deadlines established under the CoCos repayment plan agreed with the European Commission. On 9 February 2017, BCP reimbursed the remaining CoCos to the Portuguese State in the amount of Euros 700 million. This repayment, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

These instruments are eligible for prudential effects as core tier 1. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled. Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

Pursuant to the conditions of the issue of core tier 1 Capital Instruments underwritten by the State, under Law no. 63-A/2008 and Implementing Order no. 150-A/2012 (CoCos), the Bank cannot distribute dividends until the issue is fully reimbursed.

As at 31 December 2016, shareholders holding individually or together with their affiliates, 2% or more of the share capital of the Bank, is as follows:

Shareholder	Number of shares	% Share capital	% Voting rights
Grupo Fosun – Chiado (Luxembourg) S.à.r.l.	157,437,395	16.67%	16.67%
Grupo Sonangol – Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	140,454,871	14.87%	14.87%
EDP Group			
EDP Pension Fund(*)	19,939,423	2.11%	2.11%
Voting rights held by members the Management and Supervisory bodies(**)	406,344	0.04%	0.04%
TOTAL QUALIFIED SHAREHOLDINGS	318,238,033	33.69%	33.69%

(*) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.
(**) According to the information of June 30, 2016, adjusted by the stock reinstatement operation executed on October 24, 2016

As referred in note 60, Banco Comercial Português, S.A. has resolved on 9 January 2017 to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value (the "Rights Offering"). The resulting number of ordinary shares will be 15,113,989,952.

Following this capital increase, shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	Number of shares	% Share capital	% Voting rights
Grupo Fosun – Chiado (Luxembourg) S.à.r.l.	3,615,709,715	23.92%	23.92%
Sonangol Group – Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	2,303,640,891	15.24%	15.24%
EDP Group – EDP Pension Fund (*)	318,918,339	2.11%	2.11%
Norges Bank, directly	315,290,240	2.09%	2.09%
TOTAL QUALIFIED SHAREHOLDINGS	6,553,559,185	43.36%	43.36%

(*) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.

41. LEGAL AND STATUTORY RESERVES

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. According to the proposed application of the 2015 annual results approved at the General Meeting of Shareholders on 21 April 2016, the Bank increased its legal reserve in the amount of Euros 22,605,000.

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity.

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

42. TREASURY SHARES

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares
2016	
Net book value (Euros '000)	**2,880**
Number of securities	**2,689,098(*)**
Average book value (Euros)	**1.07**
2015	
Net book value (Euros '000)	1,187
Number of securities	24,280,365(*)
Average book value (Euros)	0.05

(*) As at 31 December 2016, Banco Comercial Português, S.A. does not held treasury shares and does not performed any purchases or sales of own shares during the period. However, this balance includes 2,689,098 shares (31 December 2015: 24,280,365 shares) owned by clients. Considering the fact that for some of these clients there is evidence of impairment, the shares of the Bank owned by these clients were considered as treasury shares, and, in accordance with the accounting policies, written off from equity.

The own shares held by the companies included in the consolidation perimeter are within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 50, as at 31 December 2016, the Millenniumbcp Ageas Group owned 8,694,500 BCP shares (31 December 2015: 652,087,518 shares) in the amount of Euros 9,312,000 (31 December 2015: Euros 31,822,000).

As described in note 47, the Group has regrouped without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 shares prior to regrouping corresponding to 1 share after the regrouping, this regrouping being applicable to all the shares, in the same proportion.

43. FAIR VALUE RESERVES AND RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
FAIR VALUE RESERVES		
GROSS VALUE		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(233,799)	43,222
Loans represented by securities(*)	-	(15)
Financial assets held to maturity(*)	(6,517)	(381)
Of associated companies and others	3,568	10,559
Cash-flow hedge	56,842	(24,550)
	(179,906)	28,835
TAX		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	67,936	(10,167)
Loans represented by securities	-	4
Financial assets held to maturity	207	110
Cash-flow hedge	(18,869)	4,468
	49,274	(5,585)
	(130,632)	23,250
RESERVES AND RETAINED EARNINGS		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(33,196)	(25,295)
BIM – Banco Internacional de Moçambique, S.A.	(166,996)	(81,270)
Banco Millennium Angola, S.A.	-	(40,368)
Others	15,873	4,876
	(184,319)	(142,057)
Actuarial losses	(2,575,656)	(2,341,521)
Other reserves and retained earnings	2,657,669	2,452,532
	(102,306)	(31,046)

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash-flow hedge, in accordance with the accounting policy presented in note 1 d).

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2016 are analysed as follows:

(Thousand of Euros)

	2016				
	Balance on 1 January	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	3,270	(4,246)	-	-	(976)
Portuguese public debt securities	(116,939)	(168,491)	-	(10,003)	(295,433)
Visa Europe Limited.	43,312	18,036	-	(61,348)	-
Visa Inc.	-	644	-	-	644
Others	123,742	(308,469)	274,419	(30,675)	59,017
	53,385	(462,526)	274,419	(102,026)	(236,748)

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2015 are analysed as follows:

(Thousand of Euros)

	2015					
	Balance on 1 January	Transfers	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	(3,902)	-	7,172	-	-	3,270
Portuguese public debt securities	67,628	282,216	(70,478)	-	396,305	(116,939)
Visa Europe Limited.	-	-	43,312	-	-	43,312
Others	114,982	-	(29,965)	56,675	17,950	123,742
	178,708	282,216	(49,959)	56,675	(414,255)	53,385

44. NON-CONTROLLING INTERESTS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
Actuarial losses (net of taxes)	**(1,069)**	(728)
Exchange differences arising on consolidation	**(141,617)**	(111,771)
Fair value reserves	**(28,653)**	5,059
Deferred taxes	**4,900**	(1,189)
	(166,439)	(108,629)
Other reserves and retained earnings	**1,049,504**	1,166,031
	883,065	1,057,402

The balance Non-controlling interests is analysed as follows:

(Thousand of Euros)

	Balance Sheet		Income Statement	
	2016	2015	**2016**	2015 (restated)
FROM CONTINUING OPERATIONS				
Bank Millennium, S.A.	**785,357**	754,037	**79,971**	59,206
BIM – Banco Internacional de Moçambique, S.A.(*)	**106,377**	136,428	**24,652**	29,257
Other subsidiaries	**(8,669)**	(623)	**(1,112)**	(610)
	883,065	889,842	**103,511**	87,853
FROM DISCONTINUED OPERATIONS				
Banco Millennium Angola, S.A.	**-**	167,560	**18,366**	37,764
	883,065	1,057,402	**121,877**	125,617

(*) Includes the non-controlling interests of BIM Group related to SIM – Seguradora Internacional de Moçambique, S.A.R.L.

			% held of Non-controlling interests	
Name	Head office	Segment	2016	2015
Bank Millennium, S.A.	Warsaw	Bank	**49.9%**	49.9%
BIM – Banco Internacional de Moçambique, S.A.	Maputo	Bank	**33.3%**	33.3%

In accordance with the note 47, the Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. According to the terms of the process, in April 2016, the Group was entitled to 22.5% of the new entity, the Banco Millennium Atlântico, S,A., which started to be accounted by the equity method in May 2016 (note 26).

The following table presents a summary of financial information for the above institutions, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

(Thousand of Euros)

	Bank Millennium, S.A.		BIM – Banco Internacional de Moçambique, S.A.	
	2016	2015	2016	2015
Income	**795,592**	772,562	**295,057**	344,366
Net profit for the year	**160,263**	130,694	**71,240**	84,243
Net profit for the year attributable to the shareholders	**80,292**	71,488	**47,507**	54,986
Net profit for the year attributable to non-controlling interests	**79,971**	59,206	**23,733**	29,257
Other comprehensive income attributable to the shareholders	**(23,156)**	1,964	**(6,749)**	(7)
Other comprehensive income attributable to non-controlling interests	**(23,063)**	18,739	**(3,371)**	(4)
Total comprehensive income	**114,044**	151,397	**61,120**	84,232
Financial assets	**15,384,246**	15,325,751	**1,709,588**	2,210,625
Non-financial assets	**211,494**	208,209	**128,229**	144,285
Financial liabilities	**(13,741,008)**	(13,716,673)	**(1,402,163)**	(1,817,368)
Non-financial liabilities	**(280,870)**	(306,190)	**(123,526)**	(141,268)
Equity	**1,573,862**	1,511,097	**312,128**	396,274
Equity attributed to the shareholders	**788,505**	757,060	**208,144**	264,257
Equity attributed to the non-controlling interests	**785,357**	754,037	**103,984**	132,017
Cash-flows arising from:				
operating activities	**655,612**	1,035,021	**6,516**	(2,398)
investing activities	**(991,754)**	(542,673)	**(11,357)**	(10,128)
financing activities	**3,019**	(151,652)	**8,703**	6,934
Net increase / (decrease) in cash and equivalents	**(333,123)**	340,696	**3,862**	(5,592)
Dividends paid during the year:				
attributed to the shareholders	**-**	-	**12,359**	18,897
attributed to the non-controlling interests	**-**	-	**6,174**	10,157
	-	-	**18,533**	29,054

45. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousand of Euros)

	2016	2015
GUARANTEES GRANTED (NOTE 22)		
Guarantees	**3,859,747**	4,185,448
Stand-by letter of credit	**68,301**	84,586
Open documentary credits	**506,160**	532,323
Bails and indemnities	**401,837**	434,758
	4,836,045	5,237,115
COMMITMENTS TO THIRD PARTIES		
Irrevocable commitments		
Term deposits contracts	**18,383**	929
Irrevocable credit lines	**2,184,968**	2,077,530
Other irrevocable commitments	**294,046**	280,288
Revocable commitments		
Revocable credit lines	**3,931,708**	3,874,928
Bank overdraft facilities	**615,795**	592,400
Other revocable commitments	**62,571**	238,423
	7,107,471	7,064,498
GUARANTEES RECEIVED	**27,051,441**	31,396,270
Commitments from third parties	**11,043,835**	11,778,091
Securities and other items held for safekeeping	**59,903,424**	130,088,758
Securities and other items held under custody by the Securities Depository Authority	**55,380,653**	135,146,255
Other off balance sheet accounts	**131,179,648**	137,284,775

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 37).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals. Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

46. ASSETS UNDER MANAGEMENT AND CUSTODY

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of 17 October, which regulates collective investment organisms, the funds managing companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousand of Euros)

	2016	2015
Banco Comercial Português, S.A.	**2,220,048**	1,915,490
Millennium bcp Bank & Trust	**12,510**	12,280
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	**1,323,629**	1,359,883
Millennium TFI S.A.	**902,912**	930,840
	4,459,099	4,218,493

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody by the Group companies are analysed as follows:

(Thousand of Euros)

	2016	2015
Assets under deposit	**52,428,167**	123,026,536
Wealth management	**2,232,558**	1,927,770
Real-estate investment funds	**1,323,629**	1,359,883
Investment funds	**902,912**	930,840
	56,887,266	127,245,029

47. RELEVANT EVENTS OCCURRED DURING 2016

Resolutions of the Annual General Meeting
Banco Comercial Português, S.A. concluded, on 21 April 2016, the Annual General Meeting of Shareholders, with 44.76% of the share capital represented and the following resolutions:

Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2015;
Item Two – Approval of the proposal for the application of year-end results for 2015;
Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant;
Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;
Item Five – Election of the External Auditor for the triennial 2016/2018;
Item Six – Election of the Single Auditor and his / her alternate for the triennial 2016/2018;
Item Seven – Approval of the acquisition and sale of own shares or bonds;
Item Eight – Approval of the: (i) the renewal of the authorisation granted by paragraph 1 of Article 5 of the Bank's Articles Association; (ii) suppression of the preference rights of shareholders in one or more share capital increases the Board of Directors may decide to carry out;
Item Nine – Approval on the alteration of the articles of association by adding a new nr. 5 to Article 4;
Item Ten – Approval of the regrouping, without decreasing the share capital, of the shares representing the share capital of the Bank. It was approved with a regrouping quotient of 1:75, corresponding to every 75 (seventy-five) shares prior to the regrouping 1 (one) share after the regrouping.

Assessment process scenarios for ActivoBank

On 24 February 2015, BCP informed about the process of evaluation of various strategic scenarios that promoted the appreciation of ActivoBank. In March 2016, BCP has decided to select Cabot Square Capital LLP, a financial services specialist private equity firm, to a phase of negotiations on an exclusive basis.

In June 2016, the BCP has completed the process of evaluating various strategic scenarios for recovery ActivoBank having decided on the maintenance of ActivoBank in BCP Group perimeter depending on its value creation capacity in the context of the expected evolution of the model BCP banking business.

Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

BCP agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., thereby creating the conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

BCP signed, on 8 October 2015, a memorandum of understanding with the main shareholder of Banco Privado Atlântico, S.A. (Global Pactum – Gestão de Ativos, S.A.), to merge Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.

According to the terms of the process, BCP will have significant influence over the new entity, and as a result, will be accounted for by the equity method. On 22 April 2016, the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was executed

Conversion of loans in Swiss Francs – Bank Millennium S.A. (Poland)

On 15 January 2016 a presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, however without an assessment of impact for the banking sector. According to estimations later announced by Polish Financial Supervision Authority, the overall direct costs for the polish banking sector could reach PLN 66.9 billion (Euros 15 billion).

On 2 August 2016 another presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, this time mainly focusing on repayment part of fx spreads charged by the Bank. In these circumstances, it is not possible to estimate the impact of potential regulations on the banking sector, however these legislative and regulatory intentions on foreign currency, if implemented and mandatory for banks, could significantly deteriorate the Bank's profitability and capital. On 10 August the Financial Stability Committee of Poland (CEFP) (composed of the governor of the National Bank of Poland, the Minister of Finance responsible for the CEFP and the person responsible for the Banking Guarantee Fund), following the initiative of the National Bank of Poland , set up a working group to analyse this issue, which included representatives of the institutions represented in the CEFP.

On 13 January 2017, the CEFP issued Resolution No. 14/2017, which included the recommendation of a set of measures to create a framework of encouraging voluntary agreements between banks and customers. The CEFP considers that after the analysis and evaluation of risk related to weight significant part of this loan portfolio, the restructuring of this portfolio should begin. However, this restructuring must be gradually, through negotiation between banks and customers, should be voluntary and should ensure the stability of the financial system.

At this date, it is not possible to assess the impact of this recommendation but the implementation of some or all of the recommendations may have an impact on banks' results and capital ratios, including Bank Millennium, although it is possible that there may be other compensatory effects.

As at 31 December 2016, the requirements of International Accounting Standard 37 – Provisions, Liabilities and Contingent Assets are not met to establish any provision as it cannot be made a reliable estimate of the possible obligation, and so this situation is being treated as a contingent liability (note 55).

Banking Tax in Poland

In February 2016 was introduced a new special banking tax over the banking sector in Poland, corresponding to an 0.44% annual rate on the balance of total assets less own funds, polish Treasury bonds and PLN 4 billion (Euros 900 million) tax-exempt amount.

Purchase of Visa Europe Ltd by Visa Inc

On June 21, 2016, it was completed the purchase proposal of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as well as SIBS and Unicre, as key members of Visa Europe Ltd benefited from this transaction, which resulted in a receipt by the sale of shares held in Visa Europe Ltd to Visa Inc., of an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and of a deferred payment to three years.

Process of offers to tender notes for purchase

Banco Comercial Português, S.A. (BCP) has launched in February 2016 an invitation of offers to tender notes for purchase to holders of the issues listed below. The invitation is limited to a maximum aggregate purchase amount of Euros 300 million. The purpose of this operation is to manage the financing and capital structure of the Bank.

(Euros)

Issuer	Issue	Outstanding Principal Amount
Banco Comercial Português, S.A	Euros 500,000,000 – 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes")	500,000,000
Magellan Mortgages No. 2 plc	Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	87,870,120
Magellan Mortgages No. 3 plc	Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	396,961,207,50

The process of solicitations of offers ended on 23 February 2016. There were validly tendered for purchase Euros 378,509,996.96 in principal amount outstanding of Notes (Euros 103,100,000 in respect of Senior Notes and Euros 275,409,996.96 in respect of Mortgage Backed Notes issued by Magellan Mortgages No. 2 plc e Magellan Mortgages No. 3 plc). The Bank has decided to accept for purchase Euros 85,326,455.52 (principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

(Euros)

Issuer	Issue	Accepted Outstanding Principal Amount
Banco Comercial Português, S.A	Euros 500,000,000 – 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes")	85,300,000
Magellan Mortgages No. 2 plc	Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	26,455,52
Magellan Mortgages No. 3 plc	Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	0

The settlement date was on 26 February 2016.

Investment proposal received from Fosun Industrial Holdings Limited

Banco Comercial Português, S.A. ("BCP") has received on 30 July 2016, a letter from Fosun Industrial Holdings Limited ("Fosun"), containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. Fosun proposes to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "Reserved Capital Increase"). Fosun is also considering increasing its stake through secondary market acquisitions or in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

Pursuant to proposal received, the execution of Fosun's investment would be subject to the satisfaction of a number of conditions, including:
- Approval by the banking supervising entity of the acquisition of a qualifying holding by Fosun and completion of meetings and / or discussions with the European Commission;
- Clarification from competent authorities as to no need for a special contribution to and no immediate accounting recognition of potential future contributions to the national Resolution Fund;
- Implementation and registration of the reverse stock split process as approved by the general assembly on 21 April;
- The subscription price in the Reserved Capital Increase not exceeding Euros 0.02 (with the adjustment resulting from the reverse stock split);
- Approval by the Board of Directors of a proposal to be submitted to the General Assembly in order to increase to 30% the limit to vote counting provided in the by-laws of BCP;
- Approval by the Board of Directors, on the date of subscription and settlement of the Reserved Capital Increase, of the co-optation of at least two new members appointed by Fosun to the Board of Directors, who would also be members of the Executive Committee, with the possibility of the Board of Directors co-opting up to a total of at least five new members appointed by Fosun to the Board of Directors, in the context of, and in proportion to, the increase in Fosun's shareholding in BCP;
- The absence of any material adverse change situations affecting BCP or the proposed transaction.

Recognizing the potential strategic interest of the proposal made by an international investor with Fosun's profile and with a significant presence in the Portuguese market – characteristics capable of contributing a potential for cooperation and sector and geographical development – BCP's Executive Committee decided, in accordance with their fiduciary duties, to swiftly proceed with a careful analysis of the proposal, considering the many positive aspects of the proposed operation, in order to make a decision on opening negotiations and presenting a recommendation to the Board of Directors, as soon as possible.

As at 14 September 2016, the BCP's Board of Directors analysed a recommendation from BCP's Executive Committee concerning the investment proposal received from Fosun on 30 July 2016.

The BCP's Board of Directors welcomed the interest shown by Fosun and discussed main highlights of the likely terms of the investment. The Board of Directors has also requested the Executive Committee to expand negotiations with Fosun and, as soon as matters related to the conditions precedent listed are clarified, to call for the immediate convening of another meeting of the Board of Directors, in any case to be held before the end of September 2016.

As at 28 September 2016, the BCP's Board of Directors acknowledged the substantial progress in the negotiations with Fosun referred in BCP's announcement dated 14 September 2016 and also acknowledged the progress made as long as the fulfilment of several of the conditions precedent to which the proposed investment is subject to is concerned. Conditions yet to be fulfilled for the proposal to become unconditional include approvals by banking supervision authorities.

Regrouping of BCP's shares

Banco Comercial Português informs that, in a meeting convened as at 28 September 2016, and taking into consideration (i) the resolution of the general meeting of shareholders of 21 April 2016, then announced to the market, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, subject to the condition of, and producing its effects with, the entering into force of a legislative amendment and (ii) the publication, on 26 September 2016, of Decree-Law no. 63-A/2016 of 23 September, which enters into force in the day immediately after its publication, its Board of Directors resolved:

a) To confirm, in the terms provided for in the abovementioned resolution of the general meeting of shareholders, that the legal framework of Decree-Law no. 63-A/2016, of 23 September, is in accordance with the company's corporate interest;
b) To subsequently declare the production of effects, on this date of 27 September 2016, of the resolution of the general meeting of shareholders of 21 April 2016, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 (seventy five) shares prior to regrouping corresponding to 1 (one) share after the regrouping, this regrouping being applicable to all the shares, in the same proportion, with a rounding down to the nearest whole number of shares;
c) To set, according to the referred resolution, the date of the production of effects of the regrouping on 24 October 2016, the shareholders being allowed to, until 21 October 2016, and also in accordance with the provisions of the resolution, proceed to the composition of their groups of shares, inter alia by means of the purchase and sale of the shares in order to obtain a total number of shares that is a multiple of 75, with a view to the regrouping, a guarantee in the amount corresponding to the maximum amount of the consideration to be attributed, being until such date, granted, or the same amount being deposited;
d) To declare, under the terms of the abovementioned resolution of the general meeting of shareholders and of the provision of articles 23 – E, no. 3 and 188 of the Portuguese Securities Code, that the amount of the consideration in cash to be received by the shareholders for the shares that do not allow the attribution of a whole number of shares is Euros 0,0257 per share, this amount corresponding to the weighted average price of the shares representing the Bank's share capital in the regulated market Euronext Lisbon in the six months period immediately prior to the date of the present resolution and its respective announcement published today;
e) To delegate in any two Directors that are members of the Executive Committee the performance of all execution and ancillary actions of the present resolution.

Resolutions of the General Meeting of Shareholders

Banco Comercial Português, S.A., concluded on 9 November, 2016 with 34.7% of the share capital represented, the General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the maintenance of the voting restrictions foreseen in articles 26 and 25 of the articles of association;
Item Three – Approval of changes to the articles of association by altering the article 2 (1), article 11 (1), article 17 (3), article 21 (1), article 22 (1), article 31 (6), article 33, article 35 (2), article 37 (1) and suppression of article 51 (and therefore of Chapter XI – "Transitory Proviso");
Item Four – Approval of the increase of the number of members of the Board of Directors.

Before the beginning of the discussion of item two – "To resolve on the alteration of the voting limitations set forth in article 26 (1) of the articles of association and on the consequent alteration of that statutory rule", it was approved the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 21 November 2016.

The 2nd session of the General Meeting of Shareholders occurred on 21 November 2016, to resolve the item two, with 34.7% of the share capital represented, approved the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 19 December 2016.

The 3rd meeting of the General Meeting of Shareholders occurred on 19 December 2016, shareholders holding 33.5% of the share capital approved the proposal related to item two, regarding the modification of the voting limitations set forth in article 26 (1) of the articles of association.

Subscription of a reserved capital increase by Fosun and signing of a memorandum of understanding

Further to the announcements published on 30 July 2016, 14 September 2016 and 28 September 2016, Banco Comercial Português, S.A. ("BCP" or the "Bank") announces the approval by its Board of Directors of the result of negotiations with Fosun Industrial Holdings Limited ("Fosun") as well as the increase of BCP's share capital, through a private placement.

A – Memorandum of Understanding and Subscription Agreement with Fosun

On 18 November 2016, BCP and Fosun have entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("MoU"), pursuant to which Chiado (Luxembourg) S.à r.l. ("Chiado"), affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "Reserved Capital Increase").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the cooptation of:

(i) Two board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and

(ii) Subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

Considering the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

B – Reserved Capital Increase

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euro 1.1089 per new share.

The above mentioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016 and, as such, the current share capital of BCP is now of Euros 4,268,817,689.20, represented by 944,624,372 ordinary, book-entry shares without nominal value.

The new ordinary shares, which admission to trading on "Mercado Regulamentado Euronext Lisbon" will be requested, will entitle their holders to the same rights as those of existing shares.

In accordance with article 17 of the Portuguese Securities Code (Código dos Valores Mobiliários), Banco Comercial Português, S.A. (BCP) has received on 22 November 2016, a notice from Chiado (Luxembourg) S.à.r.l, informing that by way of a private placement of 157,437,395 new shares subscribed on 18 November 2016, 16.67% of BCP shareholders capital and voting rights.

48. FAIR VALUE

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

Considering the short-term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash-flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent three months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.00% as at 31 December 2016 (31 December 2015: 0.05%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market). As at 31 December 2016, the average discount rate was 3.48% for loans and advances and -0.93% for deposits. As at 31 December 2015 the rates were 0.60% and -0.13%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash-flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash-flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content – Reuters and Bloomberg – more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash-flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash-flows such as indexes.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash-flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date. The average discount rate was 4.17% as at 31 December 2016 and 4.54% as at 31 December 2015. The calculations also include the credit risk spread.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash-flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group (calculated as the average spread of production of the same instrument over the last 3 months). This was calculated from the average production of the three most recent months compared to the reporting date. As at 31 December 2016, the average discount rate was 1.34% and as at 31 December 2015 was 1.70%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge--accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non--institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own debts placed among non institutional costumers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 8.54% (31 December, 2015: 5.25%) for subordinated debt placed on the institutional market, not considering the CoCos. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 3.03% (31 December, 2015: 6.20%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.76% (31 December 2015: 0.81%) for issues placed on the institutional market and 1.28% (31 December 2015: 1.87%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2016 is a negative amount of Euros 20,752,000 (31 December 2015: a positive amount of Euros 23,061,000), and includes a payable amount of Euros 5,916,000 (31 December 2015: a payable amount of Euros 9,288,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2016, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.42%	3.48%	0.30%	1.48%
7 days	-0.42%	2.10%	0.50%	1.48%
1 month	-0.41%	1.57%	0.63%	1.56%
2 months	-0.38%	1.42%	0.56%	1.59%
3 months	-0.35%	1.53%	0.61%	1.63%
6 months	-0.26%	1.59%	0.69%	1.71%
9 months	-0.18%	1.72%	0.80%	1.73%
1 year	-0.20%	1.17%	0.86%	1.77%
2 years	-0.16%	1.44%	0.61%	1.92%
3 years	-0.11%	1.66%	0.69%	2.05%
5 years	0.08%	1.95%	0.87%	2.35%
7 years	0.32%	2.14%	1.04%	2.59%
10 years	0.67%	2.32%	1.23%	2.87%
15 years	1.04%	2.48%	1.42%	3.15%
20 years	1.18%	2.54%	1.46%	3.26%
30 years	1.24%	2.57%	1.43%	3.26%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

(Thousand of Euros)

	2016				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	1,573,912	1,573,912	1,573,912
Loans and advances to credit institutions					
Repayable on demand	-	-	448,225	448,225	448,225
Other loans and advances	-	-	1,056,701	1,056,701	1,054,536
Loans and advances to customers(i)	-	-	48,017,602	48,017,602	45,692,179
Financial assets held for trading	1,048,797	-	-	1,048,797	1,048,797
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664	146,664
Financial assets available for sale	-	10,596,273	-	10,596,273	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525	20,525
Hedging derivatives(ii)	57,038	-	-	57,038	57,038
Held to maturity financial assets	-	-	511,181	511,181	493,219
	1,252,499	10,596,273	51,628,146	63,476,918	61,131,368
Resources from credit institutions	-	-	9,938,395	9,938,395	9,984,427
Resources from customers(i)	2,985,741	-	45,811,906	48,797,647	48,692,203
Debt securities(i)	785,664	-	2,727,156	3,512,820	3,492,068
Financial liabilities held for trading	547,587	-	-	547,587	547,587
Hedging derivatives(ii)	383,992	-	-	383,992	383,992
Subordinated debt(i)	-	-	1,544,555	1,544,555	1,745,871
	4,702,984	-	60,022,012	64,724,996	64,846,148

(i) The book value includes the effect of the adjustments resulting from the application of hedge accounting.
(ii) Includes a portion that is recognized in reserves in the application of accounting cash-flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

(Thousand of Euros)

	2015				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	1,840,317	1,840,317	1,840,317
Loans and advances to credit institutions					
Repayable on demand	-	-	776,413	776,413	776,413
Other loans and advances	-	-	921,648	921,648	923,182
Loans and advances to customers(i)	-	-	51,970,159	51,970,159	49,506,926
Financial assets held for trading	1,188,805	-	-	1,188,805	1,188,805
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	152,018	152,018
Financial assets available for sale	-	10,779,030	-	10,779,030	10,779,030
Hedging derivatives(ii)	73,127	-	-	73,127	73,127
Held to maturity financial assets	-	-	494,891	494,891	482,825
	1,413,950	10,779,030	56,003,428	68,196,408	65,722,643
Resources from credit institutions	-	-	8,591,045	8,591,045	8,679,702
Resources from customers(i)	3,593,761	-	47,944,822	51,538,583	52,129,199
Debt securities(i)	715,598	-	4,052,671	4,768,269	4,791,330
Financial liabilities held for trading	723,228	-	-	723,228	723,228
Hedging derivatives(ii)	541,230	-	-	541,230	541,230
Subordinated debt(i)	-	-	1,645,371	1,645,371	1,615,364
	5,573,817	-	62,233,909	67,807,726	68,480,053

(i) The book value includes the effect of the adjustments resulting from the application of hedge accounting.
(ii) Includes a portion that is recognized in reserves in the application of accounting cash-flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded.

When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 – With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

(i) There is a firm daily enforceable quotation for the financial instruments concerned, or;

(ii) There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;

(iii) Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 – valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

(i) Failure to comply with the rules defined for level 1, or;

(ii) They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral exchange ISDAs with Credit Support Annex (CSA)), in particular with quite reduced MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant.

Level 3 – valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

– Financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

(i) They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;

(ii) They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);

(iii) They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities / real estate / other investment funds not listed on a regulated market.

– At level 3 are included over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSA), in which credit risk adjustments are determined using non-observable market data (e.g. internal ratings, default probabilities determined by internal models, etc.).

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

(Thousand of Euros)

	2016			
	Valorisation techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at Central Banks	1,573,912	-	-	1,573,912
Loans and advances to credit institutions				
Repayable on demand	448,225	-	-	448,225
Other loans and advances	-	-	1,054,536	1,054,536
Loans and advances to customers	-	-	45,692,179	45,692,179
Financial assets held for trading	194,943	239,634	614,220	1,048,797
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664
Financial assets available for sale	8,239,244	1,060,858	1,296,171	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525
Hedging derivatives	-	57,038	-	57,038
Held to maturity financial assets	54,623	337,790	100,806	493,219
	10,657,611	1,695,320	48,778,437	61,131,368
Resources from credit institutions	-	-	9,984,427	9,984,427
Resources from customers	-	-	48,692,203	48,692,203
Debt securities	585,516	-	2,906,552	3,492,068
Financial liabilities held for trading	234	459,309	88,044	547,587
Hedging derivatives	-	383,992	-	383,992
Subordinated debt	-	-	1,745,871	1,745,871
	585,750	843,301	63,417,097	64,846,148

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

(Thousand of Euros)

	2015			
	Valorisation techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at Central Banks	1,840,317	-	-	1,840,317
Loans and advances to credit institutions				
Repayable on demand	776,413	-	-	776,413
Other loans and advances	-	-	923,182	923,182
Loans and advances to customers	-	-	49,506,926	49,506,926
Financial assets held for trading	318,315	672,489	198,001	1,188,805
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	152,018
Financial assets available for sale	6,949,116	2,149,370	1,680,544	10,779,030
Hedging derivatives	-	73,127	-	73,127
Held to maturity financial assets	56,591	426,234	-	482,825
	10,092,770	3,321,220	52,308,653	65,722,643
Resources from credit institutions	-	-	8,679,702	8,679,702
Resources from customers	-	-	52,129,199	52,129,199
Debt securities	507,845	-	4,283,485	4,791,330
Financial liabilities held for trading	63,153	643,567	16,508	723,228
Hedging derivatives	-	541.230	-	541,230
Subordinated debt	-	-	1,615,364	1,615,364
	570,998	1,184,797	66,724,258	68,480,053

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2016 is presented as follows:

(Thousand of Euros)

	Financial assets		
	Held for trading	Available for sale	Held to maturity
BALANCE ON JANUARY 1	198,001	1,680,544	-
Gains / (losses) recognized in profit or loss			
Results on financial operations	73,845	106,079	-
Impairment and other provisions	-	(261,682)	-
Transfers changes in structure	(7,447)	(19,582)	-
Transfers between levels	332,859	13,525	100,806
Purchases	82,343	75,965	-
Sales, repayments or amortizations	(65,381)	(222,793)	-
Gains / (losses) recognized in reserves	-	(76,439)	-
Exchange differences	-	(622)	-
Accruals of interest	-	1,176	-
BALANCE AS OF DECEMBER 31	614,220	1,296,171	100,806

As they were not fulfilled the criteria for level 1 or level 2, especially market data observables such as the interest rate curves for all cash-flow discount periods, the Government bonds issued by the Mozambican State were reclassified to level 3.

Non-current assets held for sale and investment properties

The fair value of non-current assets held for sale and investment properties as at 31 December 2016 amounts to Euros 2,491,635,000 and Euros 12,692,000, respectively (31 December 2015: Euros 1,951,956,000 and Euros 146,280,000, respectively) and are framed within level 3 of the fair value hierarchy of IFRS 13. There were no transfers between fair value hierarchies in 2016 and 2015.

The fair value of these assets is determined based on valuations carried out by independent appraisers, which incorporate assumptions about the evolution of the real estate market, better use of the property and, when applicable, expectations regarding the development of real estate projects.

The evaluations are based on generally accepted methodologies in the real estate market, namely the market, income and cost method, which are selected by the appraisers according to the specific characteristics of each asset.

49. POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 w).

As at 31 December 2016 and 2015, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2016	2015
NUMBER OF PARTICIPANTS		
Pensioners	**16,524**	16,432
Former attendees acquired rights	**3,386**	3,360
Employees	**7,537**	7,713
	27,447	27,505

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and other benefits and the respective coverage for the Group based on the projected unit credit method are analysed as follows:

(Thousand of Euros)

	2016	2015
PROJECTED BENEFIT OBLIGATIONS		
Pensioners	1,959,977	1,865,380
Former attendees acquired rights	221,860	210,829
Employees	910,812	1,059,478
	3,092,649	3,135,687
Pension fund value	(3,124,330)	(3,157,869)
Net (assets) / liabilities in balance sheet (notes 32 and 39)	(31,681)	(22,182)
Accumulated actuarial losses and changing assumptions effect recognised in other comprehensive income	3,220,601	2,917,957

As at 31 December 2016 and 2015, the projected benefit liabilities include Euros 324,210,000 and Euros 311,522,000, respectively, which correspond to Extra-Fund liabilities and as such are not covered by the Pension Fund. As of 31 December 2016, these liabilities include Euros 9,864,000 corresponding to responsibilities with the End of Career Premium, which resulted from the changes made at the end of 2016 in the Collective Labor Agreement.

The change in the projected benefit obligations is analysed as follows:

(Thousand of Euros)

	2016			2015
	Pension benefit obligations	Extra-Fund	Total	Total
BALANCE AS AT 1 JANUARY	2,824,165	311,522	3,135,687	3,132,655
Service cost	(741)	-	(741)	(1,931)
Interest cost / (income)	69,715	7,537	77,252	77,156
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	21,828	(1,690)	20,138	363
Arising from changes in actuarial assumptions	93,570	18,553	112,123	-
Payments	(70,534)	(21,576)	(92,110)	(87,597)
Early retirement programmes	4,164	-	4,164	6,144
Contributions of employees	8,398	-	8,398	8,728
Changes occurred in the Collective Labour Agreement (ACT)	(182,126)	9,864	(172,262)	-
Transfer from other plans	-	-	-	169
BALANCE AT THE END OF THE YEAR	2,768,439	324,210	3,092,649	3,135,687

As at 31 December 2016 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 70,534,000 (31 December 2015: Euros 65,711,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2016, to the amount of Euros 313,509,000 (31 December 2015: Euros 330,210,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2016 amounts to Euros 68,530,000 (31 December 2015: Euros 74,453,000), in order to pay:
(i) Pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
(ii) Pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree – Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

Changes to ACT occurred in 2016

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and "Federação Nacional do Sector Financeiro". The new ACT has already been published by the Ministry of Labor in Bulletin of Labor and Employment.

Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new ACT, but did not formalize until 31 December 2016, the acceptance of the amendments to the ACT and as such the Bank did not recognize in its 2016 accounts the impact of changes from ACT to employees associates of SBN.

The most relevant changes that occurred in the ACT resulted in a profit of Euros 191,507,000 (of which Euro 19,245,000 do not correspond to benefits post-employment) and can be described as follows:

– Change in the retirement age (presumed disability) from 65 years to 66 years and two months in 2016. This age is not fixed but increases at the beginning of each calendar year one month. So in 2017 the retirement age is 66 years and 3 months. It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and two months;
– It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits;
– A new benefit and retirement was introduced called the end of career premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is considered to be a post-employment benefit by which it becomes part of retirement liabilities. As at 31 December 2016, this benefit was not included in the pension fund agreement and as such was considered as Extra-Fund.

In 2016 and 2015, the changes in the value of plan's assets is analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE AS AT 1 JANUARY	3,157,869	3,094,635
Expected return on plan assets	72,750	71,425
Actuarial gains and (losses)	(170,384)	(110,414)
Contributions to the Fund	125,000	153,183
Payments	(70,534)	(65,711)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	1,231	5,854
Employees' contributions	8,398	8,728
Transfers from other plans	-	169
BALANCE AT THE END OF THE YEAR	3,124,330	3,157,869

The elements of the Pension Fund's assets are analysed as follows:

(Thousand of Euros)

	2016			2015		
Asset class	Assets with market price in active market	Remaining	Total portfolio	Assets with market price in active market	Remaining	Total portfolio
Shares	423,343	102,756	526,099	503,969	148,808	652,777
Bonds and other fixed income securities	1,187,721	159,618	1,347,339	1,312,046	4,533	1,316,579
Participations units in investment funds	-	259,312	259,312	56,242	67,478	123,720
Participation units in real estate funds	-	243,680	243,680	-	240,172	240,172
Properties	-	282,673	282,673	-	302,212	302,212
Loans and advances to credit institutions and others	-	465,227	465,227	-	522,409	522,409
	1,611,064	1,513,266	3,124,330	1,872,257	1,285,612	3,157,869

The caption Shares includes an investment of 2.77% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2016 amounts to Euros 101,471,000. This valuation was determined by the Management Company based on an independent valuation carried out by Achmea solicitation with reference to 31 December 2015 and a subsequent devaluation of the performance of the european insurance sector index.

The balance Properties includes buildings owned by the Fund and used by the Group's companies, which as at 31 December 2016 amounts to Euros 281,991,000 (31 December 2015: Euros 301,631,000), mostly a set of properties called "Taguspark" whose book value as at 31 December 2016 amounts to Euros 269,287,000. This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2016, whose assumptions considered in these evaluations include the expectation of the Bank to make two renewals of the current lease.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousand of Euros)

	2016	2015
Fixed income securities	129,966	130,009
Loans and advances to credit institutions and others	351,766	524,652
	481,732	654,661

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE AS AT 1 JANUARY	(22,182)	38,020
RECOGNISED IN THE INCOME STATEMENT:		
Service cost	(741)	(1,931)
Interest cost / (income) net of the balance liabilities coverage	4,502	5,731
Cost with early retirement programs	4,164	6,144
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(1,231)	(5,854)
Changes occurred in the Collective Labour Agreement	(172,262)	-
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	170,384	110,414
Difference between expected and effective obligations	20,138	363
Arising from changes in actuarial assumptions	112,122	-
CONTRIBUTIONS TO THE FUND	(125,000)	(153,183)
PAYMENTS	(21,575)	(21,886)
BALANCE AT THE END OF THE YEAR	(31,681)	(22,182)

As at 31 December 2015, from the balances Cost with early retirement programs and Amount transferred to the fund resulting from acquired rights unassigned related to the Complementary Plan, Euros 792,000 were recognised against the restructuring provision.

As at 31 December 2016, the Group's companies made contributions in cash to the Pension Fund in the amount of Euros 125,000,000 (31 December 2015: Euros 153,183,000).

The estimated contributions to be made in 2017, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 8,227,000 and Euros 19,816,000, respectively.

In accordance with IAS 19, as at 31 December 2016, the Group accounted post-employment benefits as a gain in the amount of Euros 165,568,000 (31 December 2015: cost of Euros 3,298,000), which is analysed as follows:

(Thousand of Euros)

	2016	2015		
	Continuing operations	Continuing operations	Discontinued or discontinuing operations	Total
Current service cost	**(741)**	(1,912)	(19)	(1,931)
Net interest cost / (income) in the liability coverage balance	**4,502**	5,729	2	5,731
Cost / (income) with early retirement programs and mutually agreed terminations	**2,933**	(359)	(143)	(502)
Changes occurred in the Collective Labour Agreement	**(172,262)**	-	-	-
(Income) / Cost of the year	**(165,568)**	3,458	(160)	3,298

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are increased annually, and as it is not common in the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-Fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 3,837,000 (31 December 2015: Euros 4,245,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities, are analysed as follows:

(Thousand of Euros)

	2016	2015
BALANCE AS AT 1 JANUARY	**4,245**	3,153
Charge / (Write-back)	**(408)**	1,092
BALANCE AT THE END OF THE YEAR	**3,837**	4,245

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2016	2015
Salary growth rate	**0.25% until 2019** **0.75% after 2019**	0.75% until 2017 1% after 2017
Pensions growth rate	**0% until 2019** **0.5% after 2019**	0% until 2017 0.5% after 2017
Projected Fund's rate of return	**2.1%**	2.5%
Mortality tables		
Men[a]	**TV 88/90**	TV 73/77 – 2 years
Women[b]	**TV 88/90 – 3 years**	TV 88/90 – 3 years
Disability rate	**Non applicable**	Non applicable
Turnover rate	**Non applicable**	Non applicable
Normal retirement age[c]	**66 years and 2 months**	65 years
Rate of growth of total salary For Social Security purposes	**1.75%**	1%
Revaluation rate of wages / pensions of Social Security	**1%**	0.5%

[a] During 2016 it was changed the mortality table used for the male population, from TV 73 / 77 – 2 years to TV 88/90, which means that it is considered a higher life expectancy in male population.
[b] The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).
[c] The retirement age is variable. In 2016 it is 66 years and 2 months and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the estimation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor the maximum age was 67 years and 2 months

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

As at 31 December 2015, the Bank used a discount rate of 2.5% to measure its liability for defined benefit pension plans of its employees and managers.

In the financial statements with reference to 31 December 2016, the discount rate were reduced 0.4% to 2.1% (against 31 December 2015) considering the reduction in the level of relevant market interest rates in this context.

The Group taking into consideration the positive deviations observed in the last financial year and the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.25% by 2019 and 0.75% from 2019 and a growth rate of pensions from 0% by 2019 and 0.50% from 2019.

Net actuarial losses amounts to Euros 302,644,000 (31 December 2015: actuarial losses amounts to Euros 110,777,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

	Actuarial (gains) / losses			
	2016		2015	
	Values effectively verified in %	Euros '000	Values effectively verified in %	Euros '000
DEVIATION BETWEEN EXPECTED AND ACTUAL LIABILITIES		20,138		363
CHANGES ON THE ASSUMPTIONS:				
Discount rate		224,619		-
Increase in future compensation levels		(88,973)		-
Pensions increase rate		(39,621)		-
Mortality tables		24,537		-
Other changes[(*)]		(8,440)		-
RETURN ON FUND	-2.62%	170,384	-0.76%	110,414
		302,644		110,777

[(*)] Change in the methodology for determining the retirement age in accordance with the General Social Security System.

The change in the wage growth assumption includes the effect of changing the growth rate of the pensionable wage and the change in the rate of growth of the total salary used for the purposes of calculating social security responsibility.

As at 31 December 2016, actuarial losses not resulting from changes in assumptions amount to Euros 20,138,000.

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousand of Euros)

	Impact resulting from changes in financial assumptions			
	2016		2015	
	-0,25%	0,25%	-0,25%	0,25%
Discount rate	134,744	(126,913)	139,730	(131,174)
Pensions increase rate	(122,043)	160,604	(130,601)	137,697
Salary growth rate	(36,049)	38,509	(44,041)	46,261

(Thousand of Euros)

	Impact resulting from changes in demographic assumptions			
	2016		2015	
	-1 year	+1 year	-1 year	+1 year
Mortality Table	72,748	(97,787)	92,831	(93,419)

The sensitivities presented were determined based on the application of the same conditions to the whole population, that is, the affiliates of the "Sindicato dos Bancários do Norte "are considered to have the same plan as the rest. It is considered that this simplification does not materially affect the analysis.

During 2016, and based on changes in the Collective Labor Agreement (ACT), contributions to the SAMS were fixed, while in 2015, they were 6.5%. Considering this change, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

(Thousand of Euros)

	Positive variation of 1%		Negative variation of 1%	
	2016	2015	2016	2015
Pension cost impact	29	36	(29)	(36)
Liability impact	3,135	3,256	(3,135)	(3,256)

Seniority premium

As at 31 December 2016, the ACT no longer includes the seniority premium, being replaced by the final career premium, which is considered as post-employment benefit and as such is being considered in the calculation of retirement liabilities (extra-fund), as presented previously.

As at 31 December 2016, the liabilities associated with the seniority premium amounts to Euros 21,337,000 (31 December 2015: Euros 46,308,000) being related with payments still to be incurred with reference to the date on which it ceased to be considered benefit, under the terms established in the new wording of the ACT (note 39).

The cost of the seniority premium, for 2016 and 2015, is analysed as follows:

(Thousand of Euros)

	2016	2015		
	Continuing operations	Continuing operations	Discontinued operations	Total
Current service cost	2,233	2,427	3	2,430
Interest costs	1,082	1,149	2	1,151
Actuarial gains and losses	(22,560)	(1,328)	(119)	(1,447)
Cost of the year	(19,245)	2,248	(114)	2,134

Defined contribution plan

According to what is described in accounting policy 1 w ii), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in 2016, for employees who have been admitted until 1 July 2009, because the following requirements have not been met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labor Agreement of the BCP Group, and does not have a performance criterion. The Group accounted as staff costs the amount of Euros 48,000 (2015: Euros 35,000) related to this contribution.

50. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Group – the companies detailed in note 59 – List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

a) Transactions with qualified shareholders detailed in note 40

As at 31 December 2016 and 2015, the balances reflected in assets of consolidated balance sheet with qualified shareholders are analysed as follows:

(Thousand of Euros)

	2016	2015
ASSETS		
Loans and advances to customers	**237,577**	148,420
Financial assets held for trading	**15,814**	17,435
Financial assets available for sale	**106,390**	109,233
	359,781	275,088
LIABILITIES		
Resources from credit institutions	-	810
Resources from customers	**390,965**	117,451
	390,965	118,261

Loans and advances to customers are net of impairment in the amount of Euros 130,000 (31 December 2015: Euro 904,000).

During 2016 and 2015, the balances with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousand of Euros)

	2016	2015 (restated)
INCOME		
Interest and similar income	**7,057**	5,932
Commissions income	**2,242**	2,078
	9,299	8,010
COSTS		
Interest and similar expenses	**469**	839
Commissions expenses	**30**	37
	499	876

As at 31 December 2016 and 2015, the balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousand of Euros)

	2016	2015
Guarantees granted	**30,378**	42,212
Revocable credit lines	**216,271**	217,787
Irrevocable credit lines	**-**	156
	246,649	260,155

b) Transactions with members of the Board of Directors and Key management members

As at 31 December 2016, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousand of Euros)

	2016		
	Loans and advances to customers	Financial assets held for trading	Loans and advances to credit institutions
BOARD OF DIRECTORS			
Non-executive directors	20	-	-
Executive Committee	139	-	-
Closely related people	13	-	-
Controlled entities	-	844	2,840
KEY MANAGEMENT MEMBERS			
Key management members	7,272	-	-
Closely related people	274	-	-
Controlled entities	196	-	-
	7,914	844	2,840

As at 31 December 2015, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousand of Euros)

	2015			
	Loans and advances to customers	Financial assets held for trading	Loans and advances to credit institutions	Other assets
BOARD OF DIRECTORS				
Non-executive directors	26	-	-	-
Executive Committee	159	-	-	-
Closely related people	20	-	-	-
Controlled entities	-	27	149,743	5,473
KEY MANAGEMENT MEMBERS				
Key management members	6,949	-	-	-
Closely related people	262	-	-	-
Controlled entities	302	-	-	-
	7,718	27	149,743	5,473

As at 31 December 2016 and 2015, the balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

(Thousand of Euros)

	Resources from credit institutions		Resources from customers		Financial liabilities held for trading	
	2016	2015	**2016**	2015	**2016**	2015
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**1,593**	3,454	**-**	-
Executive Committee	**-**	-	**1,094**	1,336	**-**	-
Closely related people	**-**	-	**1,745**	1,997	**-**	-
Controlled entities	**16,866**	39,519	**1,446**	5,238	**1,053**	9
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**6,924**	6,361	-	-
Closely related people	**-**	-	**2,143**	1,624	-	-
Controlled entities	**-**	-	**904**	174	-	-
	16,866	39,519	**15,849**	20,184	**1,053**	9

During 2016 and 2015, the balances with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

(Thousand of Euros)

	Interest and similar income		Commissions income	
	2016	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS				
Non-executive directors	**-**	-	**81**	99
Executive Committee	**-**	-	**27**	21
Closely related people	**-**	-	**22**	19
Controlled entities	**6**	1,087	**156**	513
KEY MANAGEMENT MEMBERS				
Key management members	**52**	59	**64**	49
Closely related people	**9**	10	**34**	13
Controlled entities	**6**	4	**10**	10
	73	1,160	**394**	724

During 2016 and 2015, the balances with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousand of Euros)

	Interest and similar expense		Commissions expense	
	2016	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS				
Non-executive directors	**11**	39	**2**	2
Executive Committee	**5**	17	**1**	1
Closely related people	**10**	20	**1**	1
Controlled entities	**104**	142	**1**	13
KEY MANAGEMENT MEMBERS				
Key management members	**52**	97	**2**	2
Closely related people	**8**	14	**2**	1
Controlled entities	**1**	4	**2**	3
	191	333	**11**	23

As at 31 December 2016 and 2015, revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousand of Euros)

	Revocable credit lines		Irrevocable credit lines	
	2016	2015	**2016**	2015
BOARD OF DIRECTORS				
Non-executive directors	**109**	126	**-**	-
Executive Committee	**95**	124	**-**	-
Closely related people	**138**	133	**-**	-
Controlled entities	**25**	55	**-**	-
KEY MANAGEMENT MEMBERS				
Key management members	**453**	525	**39**	74
Closely related people	**268**	184	**-**	-
Controlled entities	**16**	14	**-**	-
	1,104	1,161	**39**	74

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousand of Euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016	2015	**2016**	2015	**2016**	2015
Remunerations	**2,080**	2,176	**526**	578	**5,260**	5,394
Supplementary retirement pension	**702**	1,205	**-**	-	**-**	-
Pension Fund	**28**	19	**-**	-	**51**	61
Other mandatory social security charges	**484**	531	**124**	137	**1,466**	1,479
Seniority premium	**-**	44	**-**	-	**211**	143
	3,294	3,975	**650**	715	**6,988**	7,077

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2016, the amount of remuneration paid to the Executive Committee, includes Euros 158,000 (2015: Euros 103,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, of which Euros 61,000 are related to 2015.

During 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the 2016, were paid to one key management member severance payment of Euros 483,000 (2015: Euros 4,729,000 paid to four members).

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

		Number of securities at		Changes during 2016			
Shareholders / Bondholders	Security	31/12/2016	31/12/2015	Acquisitions	Disposals	Date	Unit Price (Euros)
MEMBERS OF BOARD OF DIRECTORS							
António Vítor Martins Monteiro[(i)]	BCP Shares	**242**	18,119				
Carlos José da Silva	BCP Shares	**15,544**	1,165,812				
Nuno Manuel da Silva Amado	BCP Shares	**50,996**	3,824,650				
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	**0**	0				
André Magalhães Luiz Gomes	BCP Shares	**712**	53,451				
André Palma Mira David Nunes	BCP Shares	**0**	0				
António Henriques Pinho Cardão[(ii)]	BCP Shares	**10,304**	772,843				
António Luís Guerra Nunes Mexia	BCP Shares	**151**	11,330				
Cidália Maria Mota Lopes[(x)]	BCP Shares	**136**	10,247				
Jaime de Macedo Santos Bastos	BCP Shares	**53**	4,037				
João Bernardo Bastos Mendes Resende	BCP Shares	**0**	0				
João Manuel Matos Loureiro	BCP Shares	**175**	13,180				
José Jacinto Iglésias Soares	BCP Shares	**0**	1,156,004		1,156,004[(*)]	04/May/16	0.0370
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	**278**	20,879				
José Rodrigues de Jesus	BCP Shares	**0**	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	**3,667**	275,002	23		17/Oct/16	0.0155
Miguel de Campos Pereira de Bragança	BCP Shares	**22,873**	1,715,485				
Miguel Maya Dias Pinheiro	BCP Shares	**22,588**	1,694,099	1		17/Oct/16	0.0155
Raquel Rute da Costa David Vunge[(iii)]	BCP Shares	**0**	0				
Rui Manuel da Silva Teixeira[(iv)]	BCP Shares	**2,271**	170,389				
KEY MANAGEMENT MEMBERS							
Albino António Carneiro de Andrade	BCP Shares	**0**	0				
Américo João Pinto Carola[(v)]	BCP Shares	**503**	37,745				
Ana Isabel dos Santos de Pina Cabral[(vi)]	BCP Shares	**2,440**	182,953				
Ana Maria Jordão F. Torres Marques Tavares[(vii)]	BCP Shares	**9,509**	713,055	120		20/Oct/16	0.0179
André Cardoso Meneses Navarro	BCP Shares	**16,743**	1,255,739				
António Augusto Amaral de Medeiros	BCP Shares	**2,666**	200,000				
António Augusto Decrook Gaioso Henriques	BCP Shares	**29,036**	715,938	1,205,276		12/May/16	0.0330
				256,522		24/May/16	0.0310
António Ferreira Pinto Júnior	BCP Shares	**1,334**	100,000	50		20/Oct/16	0.0180
António Luís Duarte Bandeira[(viii)]	BCP Shares	**8,000**	500,008	70,000		04/Jul/16	0.0318
				29,992		28/Sept/16	0.0155
Artur Frederico Silva Luna Pais	BCP Shares	**20,047**	1,503,611				
Belmira Abreu Cabral	BCP Shares	**1,206**	90,458				
Carlos Alberto Alves	BCP Shares	**6,666**	500,002				
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	**1,833**	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	**1,911**	143,335				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	**0**	0				
Francisco António Caspa Monteiro	BCP Shares	**2,965**	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	**3**	275				
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	**142**	10,683				
João Nuno Lima Brás Jorge	BCP Shares	**5,653**	424,069				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	**100**	7,518				
Jorge Manuel Machado de Sousa Góis	BCP Shares	**0**	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	**28,600**	4,080,000		25,800	20/Dec/16	1.136979

[(*)]Donation.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

As described in note 47, the Group has regrouped without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 shares prior to regrouping corresponding to 1 share after the regrouping, this regrouping being applicable to all the shares, in the same proportion.

		Number of securities at		Changes during 2016			
Shareholders / Bondholders	Security	31/12/2016	31/12/2015	Acquisitions	Disposals	Date	Unit Price (Euros)
José Laurindo Reino da Costa[(ix)]	BCP Shares	**12,433**	82,500	850,000		26/ Jun/16	0.0173
Luís Miguel Manso Correia dos Santos	BCP Shares	**1,333**	100,000				
Maria Manuela Correia Duro Teixeira	BCP Shares	**0**	0				
Maria Manuela de Araújo Mesquita Reis	BCP Shares	**6,666**	390,000	10,000		19/ Jan/16	0.0390
				50,000		20/ Jan/16	0.0318
				50,000		13/ Jun/16	0.0206
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	**0**	0				
Mário António Pinho Gaspar Neves	BCP Shares	**1,855**	139,000				
	Certificates BCPI S6P 500	**0**	193		193	16/ Nov/16	21.71
	Certificates BCPI Eurostox 50	**187**	187				
	Certificates BCPI DAX 30	**55**	55				
	Certificates BCP Nikkei	**0**	11		11	17/ Nov/16	178.00
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	**15,300**	1,020,710	126,790		27/Sept/16	0.0160
Miguel Filipe Rodrigues Ponte	BCP Shares	**221**	16,614				
Nelson Luís Vieira Teixeira	BCP Shares	**285**	21,420				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	**1,800**	135,000				
Pedro José Mora de Paiva Beija	BCP Shares	**0**	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	**0**	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	**926**	69,412				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	**0**	0				
Ricardo Potes Valadares	BCP Shares	**1,373**	102,986				
Robert Gijsbert Swalef	BCP Shares	**2,999**	225,000				
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	**1,205**	90,342				
Rui Fernando da Silva Teixeira	BCP Shares	**12,614**	946,059				
Rui Manuel Pereira Pedro	BCP Shares	**9,333**	700,000				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	**0**	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	**0**	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	**0**	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	**0**	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	**0**	0				

(continues)

(continuation)

		Number of securities at		Changes during 2016			
Shareholders / Bondholders	Security	31/12/2016	31/12/2015	Acquisitions	Disposals	Date	Unit Price (Euros)
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura (x)	BCP Shares	137	0				
Ana Isabel Salgueiro Antunes (v)	BCP Shares	29	2,217				
Ana Margarida Rebelo A.M. Soares Bandeira (viii)	BCP Shares	186	14,000				
Eusébio Domingos Vunge (iii)	BCP Shares	691	51,859				
	Certific BCPi DAX 30	100	100				
	Certific BCPi EUROSTOXX 50	142	142				
Francisco Jordão Torres Marques Tavares (vii)	BCP Shares	62	4,586				
Isabel Maria V Leite P Martins Monteiro (i)	BCP Shares	195	14,605				
João Paulo Fernandes de Pinho Cardão (ii)	BCP Shares	4,546	340,970				
José Manuel de Vasconcelos Mendes Ferreira (vi)	BCP Shares	167	12,586				
Luís Miguel Fernandes de Pinho Cardão (ii)	BCP Shares	194	14,550				
Maria Avelina V C L J Teixeira Diniz (viii)	BCP Shares	2,434	182,528				
Maria da Graça dos Santos Fernandes de Pinho Cardão (ii)	BCP Shares	383	28,833				
Maria Helena Espassandim Catão (iv)	BCP Shares	36	2,750				
Maria Raquel Sousa Candeias Reino da Costa (ix)	BCP Shares	18	1,420				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members" identify the people to who they are associated with the category "People closely related to the previous categories."

As described in note 47, the Group has regrouped without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 shares prior to regrouping corresponding to 1 share after the regrouping, this regrouping being applicable to all the shares, in the same proportion.

c) Balances and transactions with associated companies detailed in note 59

As at 31 December 2016, the balances with associated companies included in the consolidated balance sheet items are as follows:

(Thousand of Euros)

	2016	2015
ASSETS		
Loans and advances to credit institutions		
Repayable on demand	980	-
Other loans and advances	262,262	717
Loans and advances to customers	111,591	147,080
Financial assets held for trading	73,468	57,593
Other assets	26,274	25,427
	474,575	230,817
LIABILITIES		
Resources from credit institutions	194,348	109,642
Resources from customers	488,165	564,865
Debt securities issued	976,849	1,639,210
Subordinated debt	475,276	509,012
Financial liabilities held for trading	66,946	107,656
Other liabilities	28	-
	2,201,612	2,930,385

As at 31 December 2016, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 8,694,500 BCP shares (31 December 2015: 652,087,518 shares) in the amount of Euros 9,312,000 (31 December 2015: Euros 31,822,000).

During 2016 and 2015, the balances with associated companies included in the consolidated income statement items are as follows:

(Thousand of Euros)

	2016	2015 (restated)
INCOME		
Interest and similar income	11,253	3,909
Commissions income	53,848	55,203
Other operating income	1,759	1,579
	66,860	60,691
COSTS		
Interest and similar expenses	64,556	75,391
Commissions expenses	8	1
Other administrative costs	176	82
	64,740	75,474

As at 31 December 2016 and 2015, the guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

(Thousand of Euros)

	2016	2015
Guarantees granted	5,330	5,423
Revocable credit lines	10,403	9,871
TOTAL	15,733	15,294

Under the scope of the Group's insurance mediation activities, the remunerations from services rendering are analysed as follows:

(Thousand of Euros)

	2016	2015 (restated)
LIFE INSURANCE		
Saving products	31,561	32,671
Mortgage and consumer loans	19,811	19,637
Others	33	36
	51,405	52,344
NON-LIFE INSURANCE		
Accidents and health	15,275	13,941
Motor	3,215	2,809
Multi-Risk Housing	5,868	5,165
Others	942	1,081
	25,300	22,996
	76,705	75,340

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental – Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

(Thousand of Euros)

	2016	2015
Funds receivable for payment of life insurance commissions	**12,636**	12,969
Funds receivable for payment of non-life insurance commissions	**6,108**	5,738
	18,744	18,707

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:
– Insurance contracts – use of fixed rates on gross premiums issued;
– Investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

d) Transactions with the Pension Fund

During 2016, the Group sold bonds to the pension fund in the amount of Euros 16,748,000 (31 December 2015: Euros 9,006,000). During 2015, the Group purchased to the Pension Fund Portuguese public debt securities in the amount of Euros 249.020.000.

As at 31 December 2016 and 2015, the balances with the Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

(Thousand of Euros)

	2016	2015
Resources from customers	**351,766**	524,652
Subordinated debt	**129,966**	130,009
	481,732	654,661

During 2016 and 2015, the balances with the Pension Fund included in income and expense items of the consolidated income statement are as follows:

(Thousand of Euros)

	2016	2015 (restated)
INCOME		
Commissions	**768**	745
EXPENSES		
Interest expense and similar charges	**2,630**	2,869
Administrative costs	**18,306**	19,032
	20,936	21,901

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Group.

As at 31 December 2015, the amount of Guarantees granted by the Group to the Pension Fund amounted to Euros 13,593,000.

51. CONSOLIDATE BALANCE SHEET AND INCOME STATEMENT BY SEGMENTS

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment named non-Core Business Portfolio was considered, respecting the criteria agreed.

Segments description

A. Geographical Segments

The Group operates in the Portuguese market, and also in a few affinity markets of recognised growth potential. Considering this, the geographical segments are structured in Portugal and Foreign Business (Poland, Mozambique and Other). Portugal segment reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário.

Portugal activity includes:
i) Retail Banking;
ii) Companies, Corporate & Investment Banking;
iii) Private Banking;
iv) Non-core business portfolio;
v) Other.

Retail Banking includes the following business areas:
- The Retail network where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager;
- Retail Recovery Division that accompanies and manages the responsibilities of Customers or economic groups in effective default, as well as customers with bankruptcy requirement or other similar mechanisms, looking through the conclusion of agreements or payment restructuring processes that minimizes the economic loss to the Bank; and
- ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

Companies, Corporate & Investment Banking includes:
- The Companies network that covers the financial needs of companies with an annual turnover between Euros 2,500,000 and Euros 50,000,000, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing;
- Corporate and Large Corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50 million, providing a complete range of value-added products and services;
- Specialised Monitoring Division which carries out the monitorisation of business groups that have high and complex credit exposures or that show relevant signs of impairment;
- The Investment Banking unit, that ensures the offer of products and specific services, in particular financial advice, capital market transactions and analysis and financing structuring in the medium to long-term, in particular with regard to Project and Structured Finance;
- Treasury and Markets International Division, in particular the area of coordination of business with banks and financial institutions, boosting international business with the commercial networks of the Bank and institutional custody services for securities;
- Specialised Recovery Division which ensures efficient tracking of customers with predictable or effective high risk of credit, from Companies, Corporate, Large Corporate and retail networks (exposure exceeding Euros 1,000,000);
- Real Estate Business Division, which ensures integrated and specialized management of real estate business of the Group; and
- Interfundos, with the activity of management of real estate investment funds.

The Private Banking segment, for purposes of geographical segments, comprises the Private Banking network in Portugal. For purposes of business segments also includes Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in Cayman Islands that are considered Foreign Business on geographical segmentation.

Following the process for obtaining authorisation from the European Commission (EC) to the State aid, business portfolios were identified that the Bank should gradually disinvest/demobilise, ceasing grant new credit. This demobilisation is subject to a framework which dominant criterion is the capital impact optimisation, in particular through the minimisation of expected losses. In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (PNNC).

PNNC includes the business with clients for which credit has been granted for securities-backed lending, loans collateralised with other assets for those which the debt ratio over asset value is not less than 90%, historical subsidised mortgage loans, construction subcontractors focused almost exclusively on the Portuguese market, football clubs and Real Estate development.

The separate disclosure for those types of loans resulted, exclusively, from the need to identify and monitoring the segments described in the previous paragraph, in the scope of the authorisation process abovementioned. Thus, the PNNC portfolio has not been aggregated based on risk classes or any other performance criteria.

It should be noted that, in 31 December 2016, 72% of this portfolio benefited from asset backed loans, including 68% with real estate collateral and 4% with other assets guarantee.

All other businesses not previously discriminated are allocated to the segment Other (Portugal) and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Foreign Business includes:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets ("Affluent" segment). The segment Other also includes the contribution of the associate in Angola.

B. Business Segments

Foreign Business segment, indicated within the business segment reporting, comprises the Group's operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which are considered in Private Banking segment.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method till April 2016. After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity started being accounted using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Considering the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp) regarding the Bank's Restructuring Plan, in particular the implementation of a new approach to the asset management business, and in accordance with IFRS 5, the activity of Millennium bcp Gestão de Activos was classified as discontinued operations during 2013. From this date onwards, the impact on results of these operations was presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations" with no change at balance sheet level from the criteria as that of the financial statements considered in 2015. Following the sale of the total shareholding in Millennium bcp Gestão de Activos, in May 2015, its assets and liabilities are no longer considered from this date onwards.

Business segments activity

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

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel III methodology, in accordance with the CRD IV / CRR, with reference to December 2015 and December 2016. The capital allocation for each segment on those dates, resulted from the application of 10% to the risks managed by each segment, reflecting the application of Basel III methodologies. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), and with the Organization of the Group's business areas in force on 31 December 2016. Information relating to prior periods is restated whenever they occur changes in the internal organization of the entity so susceptible to change the composition of the reportable segments (business and geographical).

The information in the financial statements of reportable segments is reconciled, at the level of the total revenue of those same segments, with the revenue from the demonstration of the consolidated financial position of the reportable entity for each date on which is lodged a statement of financial position.

As at 31 December 2016, the net contribution of the major operational segments is analysed as follows:

(Thousand of Euros)

	Commercial Banking			Companies Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other	Consolidated
	Retail in Portugal	Foreign Business [1]	Total					
INCOME STATEMENT								
Interest and similar income	511,569	724,079	1,235,648	363,665	40,916	151,152	118,616	1,909,997
Interest expense and similar charges	(120,135)	(252,239)	(372,374)	(86,857)	(20,764)	(115,586)	(84,290)	(679,871)
NET INTEREST INCOME	391,434	471,840	863,274	276,808	20,152	35,566	34,326	1,230,126
Commissions and other income	365,057	224,507	589,564	160,112	59,953	10,368	14,911	834,908
Commissions and other costs	(13,675)	(127,446)	(141,121)	(6,381)	(5,731)	(34)	(129,674)	(282,941)
NET COMMISSIONS AND OTHER INCOME	351,382	97,061	448,443	153,731	54,222	10,334	(114,763)	551,967
Net gains arising from trading activity	25	136,847	136,872	-	3,200	23,893	76,402	240,367
Share of profit of associates under the equity method	-	12,991	12,991	-	-	-	67,534	80,525
Gains / (losses) arising from the sale of subsidiaries and other assets	4	3,201	3,205	-	9	-	(9,491)	(6,277)
NET OPERATING REVENUE	742,845	721,940	1,464,785	430,539	77,583	69,793	54,008	2,096,708
Staff costs and administrative costs	487,174	298,498	785,672	96,771	38,222	22,011	(212,504)	730,172
Amortizations	2,157	20,202	22,359	490	192	20	26,763	49,824
OPERATING COSTS	489,331	318,700	808,031	97,261	38,414	22,031	(185,741)	779,996
Financial assets impairment	(113,009)	(73,343)	(186,352)	(538,010)	1,430	(504,684)	(164,041)	(1,391,657)
Other assets impairment	(45)	(10,365)	(10,410)	34	(71)	(18,846)	(177,042)	(206,335)
NET (LOSS) / INCOME BEFORE INCOME TAX	140,460	319,532	459,992	(204,698)	40,528	(475,768)	(101,334)	(281,280)
Income tax	(40,086)	(83,467)	(123,553)	61,599	(10,469)	140,352	313,938	381,867
(LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	100,374	236,065	336,439	(143,099)	30,059	(335,416)	212,604	100,587
(Loss) / income arising from discontinued operations[2]	-	36,806	36,806	-	-	-	8,422	45,228
NET (LOSS) / INCOME AFTER INCOME TAX	100,374	272,871	373,245	(143,099)	30,059	(335,416)	221,026	145,815
Non-controlling interests	-	(118,246)	(118,246)	-	-	-	(3,631)	(121,877)
NET (LOSS) / INCOME FOR THE YEAR	100,374	154,625	254,999	(143,099)	30,059	(335,416)	217,395	23,938
BALANCE SHEET								
Cash and Loans and advances to credit institutions	9,334,906	1,067,882	10,402,788	1,059,177	2,527,926	5,375	(10,916,428)	3,078,838
Loans and advances to customers	16,917,689	11,701,120	28,618,809	10,934,311	473,707	8,065,466	(74,691)	48,017,602
Financial assets[3]	20,960	4,260,453	4,281,413	-	6,083	634,878	7,458,104	12,380,478
Other assets	183,848	562,980	746,828	55,424	17,967	847,921	6,119,753	7,787,893
TOTAL ASSETS	26,457,403	17,592,435	44,049,838	12,048,912	3,025,683	9,553,640	2,586,738	71,264,811
Resources from other credit institutions	1,344,914	1,419,154	2,764,068	3,751,972	352,081	9,101,255	(6,030,981)	9,938,395
Resources from customers	23,893,851	13,966,967	37,860,818	7,668,144	2,499,795	329,361	439,529	48,797,647
Debt securities issued	556,065	297,902	853,967	1,795	62,353	584	2,594,121	3,512,820
Other financial liabilities	-	335,073	335,073	-	5,984	-	2,135,077	2,476,134
Other liabilities	19,505	404,346	423,851	42,332	7,005	4,025	797,421	1,274,634
TOTAL LIABILITIES	25,814,335	16,423,442	42,237,777	11,464,243	2,927,218	9,435,225	(64,833)	65,999,630
Equity and non-controlling interests	643,068	1,168,993	1,812,061	584,669	98,465	118,415	2,651,571	5,265,181
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	26,457,403	17,592,435	44,049,838	12,048,912	3,025,683	9,553,640	2,586,738	71,264,811
Number of employees	4,854	8,395	13,249	588	264	148	1,558	15,807
Public subsidies received	-	-	-	-	-	-	-	-

(1) Includes the contribution associated with the Bank's investments in Angola, both Banco Millennium Angola, registered as a discontinued operation, and Banco Millennium Atlântico, consolidated since May 2016 by the equity method.
(2) The amount related to Angola considered in discontinued operations / discontinued the "Foreign Business" corresponds to the book value; It does not include the gain recognized under the merger in Angola, which is included in "Other". The impact of the allocation of capital based segments is reflected in the caption net interest income.
(3) Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.
Note: As at 31 December 2016, the goodwill disclosed in the financial statements that is reflected in Foreign business is Euros 2 million and Euros 128 million in Other Portugal, as described in note 30.

As at 31 December 2015, the net contribution of the major operational segments for the restated income statement is analysed as follows:

(Thousand of Euros)

	Commercial Banking			Companies Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other[2]	Consolidated
	Retail in Portugal	Foreign Business [1]	Total					
Interest and similar income	543,377	774,381	1,317,758	435,614	52,429	204,576	148,589	2,158,966
Interest expense and similar charges	(241,317)	(324,512)	(565,829)	(117,369)	(36,634)	(169,062)	(79,473)	(968,367)
NET INTEREST INCOME	302,060	449,869	751,929	318,245	15,795	35,514	69,116	1,190,599
Commissions and other income	334,806	265,672	600,478	175,044	62,000	14,832	18,684	871,038
Commissions and other costs	(15,137)	(114,061)	(129,198)	(6,591)	(5,650)	(38)	(147,585)	(289,062)
NET COMMISSIONS AND OTHER INCOME	319,669	151,611	471,280	168,453	56,350	14,794	(128,901)	581,976
Net gains arising from trading activity	43,036	91,765	134,801	-	4,450	-	400,158	539,409
Share of profit of associates under the equity method	-	(331)	(331)	-	-	-	23,859	23,528
Gains / (losses) arising from the sale of subsidiaries and other assets	-	1,372	1,372	6	8	-	(33,392)	(32,006)
NET OPERATING REVENUE	664,765	694,286	1,359,051	486,704	76,603	50,308	330,840	2,303,506
Staff costs and administrative costs	495,082	324,941	820,023	95,611	40,900	26,786	(20,096)	963,224
Amortizations	1,899	23,517	25,416	446	258	23	27,935	54,078
OPERATING COSTS	496,981	348,458	845,439	96,057	41,158	26,809	7,839	1,017,302
Financial assets impairment	(149,591)	(85,552)	(235,143)	(315,676)	(3,704)	(355,041)	35,081	(874,483)
Other assets impairment	(111)	(7,319)	(7,430)	(130)	(40)	(9,971)	(85,831)	(103,402)
NET (LOSS) / INCOME BEFORE INCOME TAX	18,082	252,957	271,039	74,841	31,701	(341,513)	272,251	308,319
Income tax	(3,679)	(50,803)	(54,482)	(21,806)	(8,844)	100,746	(53,299)	(37,685)
(LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	14,403	202,154	216,557	53,035	22,857	(240,767)	218,952	270,634
(Loss) / income arising from discontinued operations[3]	-	75,679	75,679	-	-	-	14,648	90,327
NET (LOSS) / INCOME AFTER INCOME TAX	14,403	277,833	292,236	53,035	22,857	(240,767)	233,600	360,961
Non-controlling interests	-	(119,966)	(119,966)	-	-	-	(5,651)	(125,617)
NET (LOSS) / INCOME FOR THE YEAR	14,403	157,867	172,270	53,035	22,857	(240,767)	227,949	235,344

[1] Includes the activity of the subsidiary in Angola, considered as discontinued operation.
[2] Includes the activity of Millennium bcp Gestão de Activos.
[3] The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base is reflected in net interest income item.
Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected, in Foreign business, Euros 2 million and Euros 173 million in Other Portugal, as described in note 30.

As at 31 December 2015, the net contribution of the major operational segments for the balance sheet is analysed as follows:

(Thousand of Euros)

	Commercial Banking			Companies Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other[2]	Consolidated
	Retail in Portugal	Foreign Business [1]	Total					
Cash and Loans and advances to credit institutions	7,862,544	2,035,570	9,898,114	1,596,177	2,709,148	3,929	(10,668,990)	3,538,378
Loans and advances to customers	17,276,190	13,119,279	30,395,469	11,196,872	461,197	9,846,147	70,474	51,970,159
Financial assets[3]	20,573	4,515,450	4,536,023	-	8,208	625,649	7,517,991	12,687,871
Other assets	174,817	562,237	737,054	55,371	19,614	517,362	5,359,070	6,688,471
TOTAL ASSETS	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Resources from other credit institutions	21,143	1,747,567	1,768,710	3,701,871	318,811	10,375,227	(7,573,574)	8,591,045
Resources from customers	24,096,720	15,819,898	39,916,618	8,249,175	2,672,330	308,925	391,535	51,538,583
Debt securities issued	647,877	266,012	913,889	2,602	79,080	596	3,772,102	4,768,269
Other financial liabilities	-	576,678	576,678	-	8,526	-	2,324,625	2,909,829
Other liabilities	26,061	543,969	570,030	42,414	8,671	4,477	770,990	1,396,582
TOTAL LIABILITIES	24,791,801	18,954,124	43,745,925	11,996,062	3,087,418	10,689,225	(314,322)	69,204,308
Equity and non-controlling interests	542,323	1,278,412	1,820,735	852,358	110,749	303,862	2,592,867	5,680,571
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Number of employees	4,712	9,641	14,353	560	269	180	1,821	17,183
Public subsidies received	-	-	-	-	-	-	-	-

[1] Includes the activity of the subsidiary in Angola, considered as discontinued operation.
[2] Includes the activity of Millennium bcp Gestão de Activos.
[3] Includes financial assets held for trading, financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale and hedging derivatives.
Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected, in Foreign business, Euros 2 million and Euros 173 million in Other Portugal, as described in note 30.

As at 31 December 2016, the net contribution of the major geographic segments is analysed as follows:

(Thousand of Euros)

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio of non core business	Other	Total	Poland	Mozambique	Other[1]	Consolidated
INCOME STATEMENT										
Interest and similar income	511,569	363,665	27,081	151,152	118,616	1,172,083	520,463	211,308	6,143	1,909,997
Interest expense and similar charges	(120,135)	(86,857)	(12,435)	(115,586)	(84,290)	(419,303)	(187,671)	(72,260)	(637)	(679,871)
NET INTEREST INCOME	391,434	276,808	14,646	35,566	34,326	752,780	332,792	139,048	5,506	1,230,126
Commissions and other income	365,057	160,112	31,298	10,368	14,911	581,746	164,985	59,522	28,655	834,908
Commissions and other costs	(13,675)	(6,381)	(297)	(34)	(129,674)	(150,061)	(107,078)	(20,369)	(5,433)	(282,941)
NET COMMISSIONS AND OTHER INCOME	351,382	153,731	31,001	10,334	(114,763)	431,685	57,907	39,153	23,222	551,967
Net gains arising from trading activity	25	-	-	23,893	76,402	100,320	111,678	25,169	3,200	240,367
Share of profit of associates under the equity method	-	-	-	-	67,534	67,534	(314)	-	13,305	80,525
Gains / (losses) arising from the sale of subsidiaries and other assets	4	-	-	-	(9,491)	(9,487)	3,027	174	9	(6,277)
NET OPERATING REVENUE	742,845	430,539	45,647	69,793	54,008	1,342,832	505,090	203,544	45,242	2,096,708
Staff costs and administrative costs	487,174	96,771	15,365	22,011	(212,504)	408,817	225,921	72,577	22,857	730,172
Amortizations	2,157	490	7	20	26,763	29,437	12,536	7,666	185	49,824
OPERATING COSTS	489,331	97,261	15,372	22,031	(185,741)	438,254	238,457	80,243	23,042	779,996
Financial assets impairment	(113,009)	(538,010)	(242)	(504,684)	(164,041)	(1,319,986)	(49,682)	(23,661)	1,672	(1,391,657)
Other assets impairment	(45)	34	-	(18,846)	(177,042)	(195,899)	(10,445)	81	(72)	(206,335)
NET (LOSS) / INCOME BEFORE INCOME TAX	140,460	(204,698)	30,033	(475,768)	(101,334)	(611,307)	206,506	99,721	23,800	(281,280)
Income tax	(40,086)	61,599	(8,860)	140,352	313,938	466,943	(55,436)	(28,030)	(1,610)	381,867
(LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	100,374	(143,099)	21,173	(335,416)	212,604	(144,364)	151,070	71,691	22,190	100,587
(Loss) / income arising from discontinued operations[2]	-	-	-	-	8,422	8,422	-	-	36,806	45,228
NET (LOSS) / INCOME AFTER INCOME TAX	100,374	(143,099)	21,173	(335,416)	221,026	(135,942)	151,070	71,691	58,996	145,815
Non-controlling interests	-	-	-	-	(3,631)	(3,631)	(75,384)	(24,496)	(18,366)	(121,877)
NET (LOSS) / INCOME FOR THE YEAR	100,374	(143,099)	21,173	(335,416)	217,395	(139,573)	75,686	47,195	40,630	23,938
BALANCE SHEET										
Cash and Loans and advances to credit institutions	9,334,906	1,059,177	1,595,368	5,375	(10,916,428)	1,078,398	690,787	437,922	871,731	3,078,838
Loans and advances to customers	16,917,689	10,934,311	172,165	8,065,466	(74,691)	36,014,940	10,661,642	1,039,478	301,542	48,017,602
Financial assets[3]	20,960	-	-	634,878	7,458,104	8,113,942	4,031,817	228,636	6,083	12,380,478
Other assets	183,848	55,424	11,729	847,921	6,119,753	7,218,675	211,494	131,782	225,942	7,787,893
TOTAL ASSETS	26,457,403	12,048,912	1,779,262	9,553,640	2,586,738	52,425,955	15,595,740	1,837,818	1,405,298	71,264,811
Resources from other credit institutions	1,344,914	3,751,972	-	9,101,255	(6,030,981)	8,167,160	1,303,029	121,268	346,938	9,938,395
Resources from customers	23,893,851	7,668,144	1,691,628	329,361	439,529	34,022,513	12,668,085	1,298,883	808,166	48,797,647
Debt securities issued	556,065	1,795	62,353	584	2,594,121	3,214,918	297,902	-	-	3,512,820
Other financial liabilities	-	-	-	-	2,135,077	2,135,077	335,073	-	5,984	2,476,134
Other liabilities	19,505	42,332	639	4,025	797,421	863,922	280,870	123,527	6,315	1,274,634
TOTAL LIABILITIES	25,814,335	11,464,243	1,754,620	9,435,225	(64,833)	48,403,590	14,884,959	1,543,678	1,167,403	65,999,630
Equity and non-controlling interests	643,068	584,669	24,642	118,415	2,651,571	4,022,365	710,781	294,140	237,895	5,265,181
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	26,457,403	12,048,912	1,779,262	9,553,640	2,586,738	52,425,955	15,595,740	1,837,818	1,405,298	71,264,811
Number of employees	4,854	588	185	148	1,558	7,333	5,844	2,551	79	15,807
Public subsidies received	-	-	-	-	-	-	-	-	-	-

[1] Includes the contribution associated with the Bank's investments in Angola, both Banco Millennium Angola, registered as a discontinued operation, and Banco Millennium Atlântico, consolidated since May 2016 by the equity method.
[2] The amount related to Angola considered in discontinued operations registered in "Others" corresponds to the book value and includes the gain recognized under the merger. The impact of the allocation of capital based segments is reflected in the caption net interest income.
[3] Includes financial assets held for trading, financial assets held for trading at fair value, financial assets held to maturity, financial assets available for sale, hedging derivatives and assets with repurchase agreement.
Note: As at 31 December 2016, the goodwill disclosed in the financial statements that is reflected in Mozambique is Euros 2 million and Euros 128 million in Other Portugal, as described in note 30.

As at 31 December 2015, the net contribution of the major geographic segments for the restated income statement is analysed as follows:

(Thousand of Euros)

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio of non core business	Other[1]	Total	Poland	Mozambique	Other[2]	Consolidated
INCOME STATEMENT										
Interest and similar income	543,377	435,614	33,429	204,576	148,589	1,365,585	553,172	221,086	19,123	2,158,966
Interest expense and similar charges	(241,317)	(117,369)	(23,778)	(169,062)	(79,473)	(630,999)	(239,914)	(82,849)	(14,605)	(968,367)
NET INTEREST INCOME	302,060	318,245	9,651	35,514	69,116	734,586	313,258	138,237	4,518	1,190,599
Commissions and other income	334,806	175,044	32,881	14,832	18,684	576,247	178,583	87,089	29,119	871,038
Commissions and other costs	(15,137)	(6,591)	(245)	(38)	(147,585)	(169,596)	(87,218)	(26,843)	(5,405)	(289,062)
NET COMMISSIONS AND OTHER INCOME	319,669	168,453	32,636	14,794	(128,901)	406,651	91,365	60,246	23,714	581,976
Net gains arising from trading activity	43,036	-	-	-	400,158	443,194	51,949	39,816	4,450	539,409
Share of profit of associates under the equity method	-	-	-	-	23,859	23,859	(331)	-	-	23,528
Gains / (losses) arising from the sale of subsidiaries and other assets	-	6	-	-	(33,392)	(33,386)	801	571	8	(32,006)
NET OPERATING REVENUE	664,765	486,704	42,287	50,308	330,840	1,574,904	457,042	238,870	32,690	2,303,506
Staff costs and administrative costs	495,082	95,611	16,316	26,786	(20,096)	613,699	230,320	94,621	24,584	963,224
Amortizations	1,899	446	6	23	27,935	30,309	12,061	11,456	252	54,078
OPERATING COSTS	496,981	96,057	16,322	26,809	7,839	644,008	242,381	106,077	24,836	1,017,302
Financial assets impairment	(149,591)	(315,676)	(1,248)	(355,041)	35,081	(786,475)	(60,566)	(24,985)	(2,457)	(874,483)
Other assets impairment	(111)	(130)	-	(9,971)	(85,831)	(96,043)	(2,908)	(4,411)	(40)	(103,402)
NET (LOSS) / INCOME BEFORE INCOME TAX	18,082	74,841	24,717	(341,513)	272,251	48,378	151,187	103,397	5,357	308,319
Income tax	(3,679)	(21,806)	(7,295)	100,746	(53,299)	14,667	(31,203)	(20,090)	(1,059)	(37,685)
(LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	14,403	53,035	17,422	(240,767)	218,952	63,045	119,984	83,307	4,298	270,634
(Loss) / income arising from discontinued operations[3]	-	-	-	-	14,648	14,648	-	-	75,679	90,327
NET (LOSS) / INCOME AFTER INCOME TAX	14,403	53,035	17,422	(240,767)	233,600	77,693	119,984	83,307	79,977	360,961
Non-controlling interests	-	-	-	-	(5,651)	(5,651)	(54,222)	(28,548)	(37,196)	(125,617)
NET (LOSS) / INCOME FOR THE YEAR	14,403	53,035	17,422	(240,767)	227,949	72,042	65,762	54,759	42,781	235,344

(1) Includes the activity of Millennium bcp Gestão de Activos;
(2) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(3) The amount considered for Angola in discontinued operations corresponds to the book value. The impact of capital allocation in segments base, is reflected in net interest income item;
Note: As at 31 December 2015, the goodwill disclosed in the financial statements that is reflected in Mozambique is Euros 2 million and Euros 173 million in Other Portugal, as described in note 30.

As at 31 December 2015, the net contribution of the major geographic segments for the balance sheet is analysed as follows:

(Thousand of Euros)

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio of non core business	Other[1]	Total	Poland	Mozambique	Other[2]	Consolidated
BALANCE SHEET										
Cash and Loans and advances to credit institutions	7,862,544	1,596,177	1,644,812	3,929	(10,668,990)	438,472	1,007,326	435,761	1,656,819	3,538,378
Loans and advances to customers	17,276,190	11,196,872	214,299	9,846,147	70,474	38,603,982	10,874,876	1,296,540	1,194,761	51,970,159
Financial assets[3]	20,573	-	-	625,649	7,517,991	8,164,213	3,443,228	473,101	607,329	12,687,871
Other assets	174,817	55,371	11,633	517,362	5,359,070	6,118,253	208,530	149,508	212,180	6,688,471
TOTAL ASSETS	25,334,124	12,848,420	1,870,744	10,993,087	2,278,545	53,324,920	15,533,960	2,354,910	3,671,089	74,884,879
Resources from other credit institutions	21,143	3,701,871	-	10,375,227	(7,573,574)	6,524,667	1,282,042	188,607	595,729	8,591,045
Resources from customers	24,096,720	8,249,175	1,769,299	308,925	391,535	34,815,654	12,384,534	1,743,638	2,594,757	51,538,583
Debt securities issued	647,877	2,602	79,080	596	3,772,102	4,502,257	266,012	-	-	4,768,269
Other financial liabilities	-	-	-	-	2,324,625	2,324,625	576,544	-	8,660	2,909,829
Other liabilities	26,061	42,414	686	4,477	770,990	844,628	306,191	137,401	108,362	1,396,582
TOTAL LIABILITIES	24,791,801	11,996,062	1,849,065	10,689,225	(314,322)	49,011,831	14,815,323	2,069,646	3,307,508	69,204,308
Equity and non-controlling interests	542,323	852,358	21,679	303,862	2,592,867	4,313,089	718,637	285,264	363,581	5,680,571
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	25,334,124	12,848,420	1,870,744	10,993,087	2,278,545	53,324,920	15,533,960	2,354,910	3,671,089	74,884,879
Number of employees	4,712	560	186	180	1,821	7,459	5,911	2,505	83	15,958
Public subsidies received	-	-	-	-	-	-	-	-	-	-

(1) Includes the activity of Millennium bcp Gestão de Activos.
(2) Includes the activity of the subsidiary in Angola, considered as discontinued operation.
(3) Includes financial assets held for trading, financial assets held for trading at fair value, financial assets held to maturity, financial assets available for sale and hedging derivatives.
Note: As at 31 December 2015, the goodwill disclosed in the financial statements that is reflected in Mozambique is Euros 2 million and Euros 173 million in Other Portugal, as described in note 30.

Reconciliation of net income of reportable segments with the net result of the Group

Description of materially relevant reconciliation items:

(Thousand of Euros)

	2016	2015 (restated)
NET CONTRIBUTION:		
Retail Banking in Portugal	**100,374**	14,403
Companies, Corporate and Investment Banking	**(143,099)**	53,035
Private Banking	**21,173**	17,422
Portfolio non core business	**(335,416)**	(240,767)
Foreign Business (continuing operations)[(1)]	**244,951**	207,589
Non-controlling interests[(2)]	**(118,246)**	(119,966)
	(230,263)	(68,284)
Income / (Loss) from discontinued or discontinuing operations[(3)]	**36,806**	75,679
	(193,457)	7,395
AMOUNTS NOT ALLOCATED TO SEGMENTS:		
Interests of hybrid instruments	**(65,525)**	(65,352)
Net interest income of the bond portfolio	**41,591**	61,415
Interests written off	**6,950**	(4,613)
Own credit risk	**2,469**	(16,129)
Foreign exchange activity	**28,067**	(10,686)
Equity accounted earnings	**67,534**	23,859
Impairment and other provisions[(4)]	**(341,083)**	(50,749)
Operational costs[(5)]	**185,741**	(5,812)
Gains on sale of public debt	**5,017**	351,743
Mandatory contributions	**(51,742)**	(63,991)
Gains on the acquisition of Visa Europe by Visa Inc.[(1)]	**26,353**	-
Taxes[(6)]	**313,938**	(53,300)
Gain arising from the sale of Banco Millennium Angola	**7,330**	-
Others[(7)]	**(9,245)**	61,564
Total not allocated to segments	**217,395**	227,949
Consolidated net income / (loss)	**23,938**	235,344

[(1)] The net contribution of the Foreign Business (continuing operations) segment includes the Euros 69.9 million gain from the sale of Visa Europe by Bank Millennium in Poland. The caption Gains on the acquisition of Visa Europe by Visa Inc. only includes the amount of Euros 26.4 million related to the gains obtained from the same operation in Portugal (note 7).
[(2)] Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola. Concerning Angola, in the first nine months of 2016, it only includes the figures of the first four months of the year since from May 2016 on the contribution of the new merged entity, Banco Millennium Atlântico, that resulted from the merger process of Banco Millennium in Angola with Banco Privado Atlântico started being accounted using the equity method. It does not include the values not allocated to segments.
[(3)] Includes the book value of the subsidiary in Angola considered as a discontinued operation. Concerning Angola, in the first nine months of 2016, only includes the figures of the first four months of the year, since from May 2016 on, the contribution of the new merged entity, Banco Millennium Atlântico, resulted from the merger process of Banco Millennium in Angola with Banco Privado Atlântico started being accounted using the equity method. It includes the gain of Euros 7.3 million obtained from the sale of Banco Millennium in Angola. It does not include the value of the Other segment (Portugal).
[(4)] Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to business segments. In 2016 includes the impact of Euros 224.2 million related with the devaluation of corporate restructuring funds.
[(5)] Corresponds to costs related to the impacts arising from the revision of the Collective Labour Agreement and to restructuring costs.
[(6)] Includes deferred tax revenue, net of current non-segment tax expense, namely the tax effect associated with the impacts of the previous items, calculated based on a marginal tax rate.
[(7)] It includes other operations not allocated previously namely funding for non interest bearing assets and the financial investments. It also includes Non-controlling interests and Results from discontinued operations considered in Portugal.

52. RISK MANAGEMENT

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk / return profile by business line. Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and / or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

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

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal Organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management. The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Management and Control model

For the purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:
– Trading and Sales – Involves those positions for which the goal is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities and the derivatives of the sales activities;
– Financing – Financing operations of the group in the market, including both money market operations;
– Investment – Management of positions in securities to be held to maturity, (during a longer period of time) or those that are not tradable on liquid markets;
– Commercial – Management of operations held at the normal course of business of the Group with its customers;
– Structural – Management of balance sheet elements or operations that, due to their nature, are not directly related to any of the other areas; and
– ALM – Assets and Liabilities management.

The definition of these management areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context and strategy.

In order to ensure that the levels of risk incurred in the various portfolios of the Group are in accordance with the predefined levels of risk tolerance, are established, at minimum annual intervals, various risk limits to apply to all portfolios of the management areas on which the risks are concerned. These limits are monitored daily (or intraday, in the case of financial market areas) by the Risk Office.

Stop loss limits are also defined for financial market areas, based on multiples of the risk limits defined for them, in order to limit the maximum losses that may occur in these areas. When these limits are reached, a review of the strategy and the assumptions concerning the management of the positions concerned.

The internal market risk control framework has been continuously enhanced and improved, including the implementation of recommendations issued by the internal control areas following recurrent audits and validation work, as well as Entities, taking into account existing developments in best risk management practices or regulatory changes.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

(Thousand of Euros)

Risk items	2016	2015
Central Governments or Central Banks	**10,351,072**	9,500,002
Regional Governments or Local Authorities	**763,620**	689,819
Administrative and non-profit Organisations	**765,626**	800,075
Multilateral Development Banks	**17,968**	47,987
Other Credit Institutions	**3,024,895**	3,195,899
Retail and Corporate customers	**59,364,139**	63,767,726
Other items	**13,889,468**	13,485,328
	88,176,788	91,486,836

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 31 December 2016 of the credit granted to entities whose country is one of those identified.

(Thousand of Euros)

	2016						
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2017	4,350	14	446	9	34	179,987
	2018	-	-	-	-	-	15,912
	>2018	-	-	-	-	-	520,503
		4,350	14	446	9	34	716,402
Companies	2017	82,788	-	-	-	-	4,391,602
	2018	10,098	-	-	-	-	426,496
	>2018	41,670	41,194	-	121,837	-	6,604,797
		134,556	41,194	-	121,837	-	11,422,895
Retail	2017	92,202	149	1	78	1,961	1,753,925
	2018	84	4	1	1,721	81	309,623
	>2018	27,338	422	117	42,151	4,872	19,736,004
		119,624	575	119	43,950	6,914	21,799,552
State and other public entities	2017	34,500	-	-	-	-	1,731,079
	2018	50	-	-	-	50,000	391,539
	>2018	418	-	-	319	618	3,167,094
		34,968	-	-	319	50,618	5,289,712
TOTAL COUNTRY		293,498	41,783	565	166,115	57,566	39,228,561

The caption Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The caption Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The caption Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The caption State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The Bank of Portugal applied for a group of templates to evaluate the risk associated to the loans portfolio and the calculation of the corresponding losses. Methodological notes regarding the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:
– Financial collaterals, real estate collaterals or other collaterals;
– Receivables;
– First demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
– Personal guarantees, when the persons are classified with Risk Grade 7 or better;
– Credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, *i.e.*, on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, the substitution principle is applied by replacing the Risk Grade of the client by the Risk Grade of the guarantor, if the Risk of Grade Degree of the guarantor is better than the client's, when:
– State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
– Personal guarantees (or, in the case of Leasing, an adhering contracting party);
– The mitigation is effective through credit derivatives.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

There is always a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and / or market comparative – mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration / certification of an expert valuer since 2008, as requested by Notice n. 5/2007 of Bank of Portugal and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notices n. 5/2006 and n. 5/2007 of Bank of Portugal, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following three methods:
(i) – Depreciation of the property by direct application of the index, if the amount owed does not exceed 70% of the revised collateral;
(ii) – Review based on recent reviews, geographically close, certified by internal expert;
(iii) – Review of the property value by external valuators, depending on the value of the credit operation, and in accordance with established standards.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Notice n.5/2007 of Bank of Portugal, in the case of offices, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer.

For the remaining real estate (land, commercial real estate or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used – the Rating Master Scale – based on Probability of Default (PD), allowing for a greater discriminating power in clients assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies – and are reviewed / updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and / or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

c) Impairment and Write-offs

In order to align with the international best practices in this area, the credit impairment calculation within BCP Group integrates the general principles defined by IAS 39 and the guidelines issued by the Bank of Portugal through "Carta-Circular 2/2014/DSP".

This process is based, as far as possible, on the concepts and the data used in capital requirements calculation according to the Internal Ratings Based Approach (IRB), in order to maximize the synergies between the two processes.

There are three components to be considered in impairment calculation, according to the risk of the customers exposure and whether there is objective evidence of impairment:
– Individual analysis for customers with high exposure and risk;
– Collective analysis for customers in default or considered at high risk, not included in individual analysis;
– Collective analysis of customers not in default, non-high risk or without enough evidence of impairment, as a result of individual analysis (IBNR – Incurred But Not Reported component).

Customers in one of the following conditions are submitted to individual analysis:

Customers in default
(i) Customers in insolvency or under legal proceedings provided that the total exposure of the group's customers in these situations exceed Euros 1 million;
(ii) Customers rated "15" integrated in groups with exposure above Euros 5 million;

Customers not in default but with impairment indicators
(iii) Customers rated "14" integrated in groups with exposure above Euros 5 million;

Groups or Customers without impairment indicators
(iv) Other customers integrating groups under the above conditions;
(v) Groups or customers with exposure above Euros 5 million having restructured credits and rated "13";
(vi) Groups or Customers with exposure above Euros 10 million, provided that some pre-defined impairment soft signs exist;
(vii) Groups or Customers not included in the preceding paragraphs, with exposure above Euros 25 million.

Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:
(i) Have impairment as a result of the latest individual analysis; or
(ii) According to recent information, show a significant deterioration in risk levels; or
(iii) Are Special Vehicle Investment (SPV);

Individual analysis includes the following procedures:
- For customers without impairment signs, analysis of a set of financial difficulties indicators, in order to conclude if the customer has objective impairment signs;
- For customers with impairment signs and for those in which objective evidence of impairment is identified in the above mentioned preliminary analysis, loss estimation.

Customers included in individually analysis are subject to a regular process of assigning an expectation of recovery of the totality of their exposure and of the expected period for such recovery, and the impairment value of each customer should be supported, mainly in the prospects of receiving monetary, financial or physical assets and in the forecasted period for those receipts.

This process is carried out by recovery areas or by the Credit Division, supported by all the relevant elements for the calculation of impairment, including the following ones:
- Economic and financial data, based on the most recent financial statements of the customer;
- Qualitative data, characterizing the customer's situation, particularly with regard to the economic viability of the business;
- Estimated cash flows for the clients on an ongoing basis;
- Customers credit experience with the Bank and with the Financial System.

Each of the aforementioned units is responsible for assigning an expectation and a recovery period to the exposures relating to clients subject to individual analysis, which must be transmitted to the Risk Office in the context of the regular process of collection of information, accompanied by detailed justification of the impairment proposal.

The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, and it is the final decision on the client's impairment.

For the purpose of individual analysis, information on collaterals and guarantees plays an important role, mainly for real estate companies and whenever the viability of the customer's business is weak.

The Bank takes a conservative approach concerning collaterals, working with haircuts that incorporate the risk of assets devaluation, the sale and maintenance costs and the required time for sale.

For each client, the impairment is calculated as the difference between the exposure and the sum of the expected cash-flows of all the businesses, discounted at the effective interest rate of each operation.

Credits to customers that are not individually analysed are grouped according to their risk characteristics, and impairment is based on homogenous populations, assuming a one-year emergence period (or loss identification period).

Collective impairment is calculated according to the following formula:

Impairment = EAD * PD * LGD

where EAD represents the exposure at default, PD represents the probability of one client to be defaulted on the recognized loss period and LGD represents the loss given default.

For the calculation of PD, the homogeneous populations result from the following factors:
– Customer segment for rating purposes (according to the corresponding rating model);
– Risk bucket, depending on customer current status (different probabilities of default correspond to the several buckets).

For the calculation of LGD, the homogeneous populations result from the following factors:
– Customer segment;
– Defaulted period; and
– LTV (Loan to Value) for exposures collateralized by real estate.

LGD estimation is mainly based on the following components:
– *A priori* definition of the possible recovery scenarios;
– Historical information about the Bank's recovery processes, mainly regarding incurred losses and the probabilities associated to each of the recovery scenarios;
– Direct and indirect costs associated to the recovery processes;
– Discounted rate to be used in the discount of the cash-flows to the date of default;
– Collaterals associated to each loan.

The criteria and the concepts underlying the definition of the above mentioned homogeneous populations are in line with the ones used for capital requirements (IRB) purposes.

The results of the impairment calculation process are the subject of accounting. In accordance with "Carta-Circular 15/2009" from the Bank of Portugal, write-offs take place whenever there are no realistic expectations of recovery; hence, when impairment reaches 100%, credits shall be considered as uncollectible. However, even if a credit not yet has an impairment of 100% can also be classified as uncollectible, provided there are no recovery expectations. It is noteworthy that all of the described procedures and methodologies are subject to internal regulations superiorly approved, concerning impairment, credit granting and monitoring and non-performing credit treatment.

The following tables detail the exposures and impairment by segment, as at 31 December 2016. The data presented includes the irrevocable credit lines, guarantees and commitments:

(Thousand of Euros)

	Exposure 2016					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which "cured"[(a)]	Of which restructured[(b)]	Total	Of which restructured
Construction and CRE	6,748,292	5,042,462	204,762	551,913	1,705,830	601,521
Companies – Other Activities	20,291,371	18,394,499	216,646	1,124,187	1,896,872	668,235
Mortgage loans	24,103,692	22,768,643	196,672	666,056	1,335,049	352,006
Individuals – Others	4,664,975	3,963,339	28,110	153,607	701,636	261,274
Other loans	2,971,136	2,501,615	76,775	381,303	469,521	299,469
TOTAL	58,779,466	52,670,558	722,965	2,877,066	6,108,908	2,182,505

(Thousand of Euros)

Segment	Impairment 2016 Total Impairment	Performing loans	Non-performing loans
Construction and CRE	968,978	198,499	770,479
Companies – Other Activities	1,462,086	512,074	950,012
Mortgage loans	316,314	49,844	266,470
Individuals – Others	513,351	93,196	420,155
Other loans	608,178	269,729	338,449
TOTAL	3,868,907	1,123,342	2,745,565

The following tables detail the exposures and impairment by segments, as at 31 December 2015. The data presented includes the irrevocable credit lines, guarantees and commitments and does not consider effective interest rates and of the traditional securitization operations:

(Thousand of Euros)

	Exposure 2015					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which "cured" [a]	Of which restructured [b]	Total	Of which restructured
Construction and CRE	8,189,817	6,202,068	142,318	627,875	1,987,749	590,266
Companies – Other Activities	22,732,956	20,415,829	376,958	1,378,401	2,317,127	1,224,492
Mortgage loans	24,488,366	22,977,817	284,860	693,118	1,510,549	356,014
Individuals – Others	4,930,511	4,127,962	16,117	228,224	802,549	285,550
Other loans	2,016,731	1,921,132	2,631	11,690	95,599	45,056
TOTAL	62,358,381	55,644,808	822,884	2,939,308	6,713,573	2,501,378

(Thousand of Euros)

Segment	Impairment 2015 Total Impairment	Performing loans	Non-performing loans
Construction and CRE	953,713	214,356	739,357
Companies – Other Activities	1,694,993	662,328	1,032,665
Mortgage loans	341,144	49,424	291,720
Individuals – Others	505,765	73,801	431,964
Other loans	47,179	20,480	26,699
TOTAL	3,542,794	1,020,389	2,522,405

[a] Credits that have been in default for more than 90 days or have been classified as Credit Risk and which, in the past 12 months, did not verify any of these conditions.
[b] Credits in which there have been changes in the contractual terms, motivated by customer financial difficulties.

The following tables include the detail of the exposure of non-performing loans and impairment respectively by segment, as at 31 December 2016:

(Thousand of Euros)

	Exposure 2016					
		Performing loans			Non-performing loans	
		Days past due <30			Days past due	
Segment	Total Exposure	Without evidence	With evidence	Total	<=90 [*]	>90
Construction and CRE	6,748,292	4,060,773	896,062	4,956,835	563,519	1,142,312
Companies – Other Activities	20,291,371	15,693,300	1,893,076	17,586,376	333,054	1,563,818
Mortgage loans	24,103,692	22,058,813	519,822	22,578,635	71,029	1,264,020
Individuals – Others	4,664,975	3,721,530	176,385	3,897,915	110,511	591,125
Other loans	2,971,136	1,996,372	498,510	2,494,882	38,251	431,271
TOTAL	58,779,466	47,530,788	3,983,855	51,514,643	1,116,364	4,992,546

(Thousand of Euros)

Segment	Impairment 2016				
		Performing loans		Non-performing loans	
		Days past due	Days past due	Days past due	Days past due
	Total Impairment	<30	between 30-90	<=90 (*)	>90
Construction and CRE	968,978	194,988	3,511	229,196	541,283
Companies – Other Activities	1,462,086	499,588	12,486	134,998	815,014
Mortgage loans	316,314	39,239	10,604	12,160	254,311
Individuals – Others	513,351	70,563	22,633	46,757	373,398
Other loans	608,178	269,212	516	14,614	323,836
TOTAL	3,868,907	1,073,590	49,750	437,725	2,307,842

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification ascredit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

The following tables include the detail of the exposure of non-performing loans and impairment respectively by segment, as at 31 December 2015:

(Thousand of Euros)

Segment	Exposure 2015					
		Performing loans			Non-performing loans	
		Days past due <30			Days past due	
	Total Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Construction and CRE	8,189,817	4,680,249	1,379,914	6,060,163	242,209	1,745,540
Companies – Other Activities	22,732,956	17,541,522	2,745,240	20,286,762	283,954	2,033,174
Mortgage loans	24,488,366	22,258,402	539,239	22,797,641	79,579	1,430,970
Individuals – Others	4,930,511	3,820,004	245,895	4,065,899	44,600	757,948
Other loans	2,016,731	1,741,057	178,373	1,919,430	39,218	56,381
TOTAL	62,358,381	50,041,234	5,088,661	55,129,895	689,560	6,024,013

(Thousand of Euros)

Segment	Impairment 2015				
		Performing loans		Non-performing loans	
		Days past due	Days past due	Days past due	Days past due
	Total Impairment	<30	between 30-90	<=90(*)	>90
Construction and CRE	953,713	192,827	21,529	44,749	694,608
Companies – Other Activities	1,694,993	646,369	15,959	98,875	933,790
Mortgage loans	341,144	41,407	8,017	13,325	278,395
Individuals – Others	505,765	61,011	12,789	19,986	411,979
Other loans	47,179	19,987	493	6,688	20,011
TOTAL	3,542,794	961,601	58,787	183,623	2,338,783

(*) Credit with capital installments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

As at 31 December 2016, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet:

	2016					
Year of production	Construction and Commercial Real Estate (CRE)	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
2004 AND PREVIOUS						
Number of operations	10,309	20,507	136,421	374,202	466	541,905
Value (Euros '000)	625,396	1,932,950	4,235,321	352,609	56,174	7,202,450
Impairment constituted (Euros '000)	97,844	85,496	56,687	35,628	2,265	277,920
2005						
Number of operations	1,796	3,284	46,074	53,856	56	105,066
Value (Euros '000)	165,026	319,000	2,130,732	82,238	13,963	2,710,959
Impairment constituted (Euros '000)	28,133	40,004	35,908	13,131	1,978	119,154
2006						
Number of operations	2,071	3,771	65,198	69,111	95	140,246
Value (Euros '000)	236,828	771,712	3,355,956	112,853	33,540	4,510,889
Impairment constituted (Euros '000)	37,862	28,776	47,361	15,120	2,218	131,337
2007						
Number of operations	2,608	5,083	77,465	90,282	109	175,547
Value (Euros '000)	412,677	1,086,220	4,327,854	157,354	160,261	6,144,366
Impairment constituted (Euros '000)	82,936	85,792	65,479	25,819	108,702	368,728
2008						
Number of operations	3,199	6,099	55,846	102,587	120	167,851
Value (Euros '000)	709,438	1,063,685	3,340,529	159,958	128,797	5,402,407
Impairment constituted (Euros '000)	104,010	227,439	48,682	33,987	11,880	425,998
2009						
Number of operations	3,239	5,381	22,715	94,686	126	126,147
Value (Euros '000)	438,995	898,895	1,192,130	137,863	181,413	2,849,296
Impairment constituted (Euros '000)	58,270	35,447	22,263	28,944	41,765	186,689
2010						
Number of operations	3,209	6,352	24,583	125,078	163	159,385
Value (Euros '000)	539,356	591,697	1,280,527	181,792	161,106	2,754,478
Impairment constituted (Euros '000)	66,075	59,399	10,905	47,394	18,019	201,792
2011						
Number of operations	3,157	9,350	15,946	141,843	161	170,457
Value (Euros '000)	300,159	829,426	752,314	170,458	59,016	2,111,373
Impairment constituted (Euros '000)	42,275	95,120	5,070	27,639	25,630	195,734
2012						
Number of operations	3,149	11,512	13,221	149,892	232	178,006
Value (Euros '000)	408,543	1,313,340	561,228	193,800	131,060	2,607,971
Impairment constituted (Euros '000)	66,772	169,228	5,038	36,040	46,837	323,915
2013						
Number of operations	4,383	17,085	13,769	199,935	417	235,589
Value (Euros '000)	551,048	1,498,452	656,206	341,266	498,979	3,545,951
Impairment constituted (Euros '000)	102,037	124,470	7,107	44,315	15,749	293,678
2014						
Number of operations	4,821	23,204	9,947	235,945	572	274,489
Value (Euros '000)	581,945	2,329,612	540,581	505,303	366,798	4,324,239
Impairment constituted (Euros '000)	87,175	141,292	5,240	62,326	22,821	318,854
2015						
Number of operations	5,704	28,391	11,162	313,562	853	359,672
Value (Euros '000)	704,212	3,311,832	721,372	846,788	702,818	6,287,022
Impairment constituted (Euros '000)	93,607	236,747	2,877	53,245	287,630	674,106
2016						
Number of operations	8,366	61,720	13,626	306,996	2,038	392,746
Value (Euros '000)	1,074,669	4,344,550	1,008,942	1,422,693	477,211	8,328,065
Impairment constituted (Euros '000)	101,982	132,876	3,697	89,763	22,684	351,002
TOTAL						
NUMBER OF OPERATIONS	56,011	201,739	505,973	2,257,975	5,408	3,027,106
VALUE (EUROS '000)	6,748,292	20,291,371	24,103,692	4,664,975	2,971,136	58,779,466
IMPAIRMENT CONSTITUTED (EUROS '000)	968,978	1,462,086	316,314	513,351	608,178	3,868,907

As at 31 December 2015, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet:

	2015					
Year of production	Construction and Commercial Real Estate (CRE)	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
2004 AND PREVIOUS						
Number of operations	12,611	23,399	129,076	412,140	1,591	578,817
Value (Euros '000)	1,032,598	2,411,520	4,180,559	413,251	361,983	8,399,911
Impairment constituted (Euros '000)	107,034	170,647	65,887	34,077	4,615	382,260
2005						
Number of operations	2,091	3,865	47,133	59,305	32	112,426
Value (Euros '000)	240,699	437,567	2,262,893	96,115	2,592	3,039,866
Impairment constituted (Euros '000)	39,916	61,450	41,952	12,929	62	156,309
2006						
Number of operations	2,495	4,653	67,885	75,785	54	150,872
Value (Euros '000)	312,186	886,574	3,591,662	130,013	7,609	4,928,044
Impairment constituted (Euros '000)	49,589	35,760	52,244	15,709	1,687	154,989
2007						
Number of operations	3,316	6,341	80,352	99,309	59	189,377
Value (Euros '000)	699,647	1,452,253	4,648,405	176,793	12,607	6,989,705
Impairment constituted (Euros '000)	115,351	140,693	75,502	27,144	301	358,991
2008						
Number of operations	4,047	7,614	57,873	113,306	108	182,948
Value (Euros '000)	864,894	1,688,936	3,580,043	191,700	40,547	6,366,120
Impairment constituted (Euros '000)	114,750	214,531	51,148	35,679	903	417,011
2009						
Number of operations	4,198	6,794	23,916	109,562	125	144,595
Value (Euros '000)	585,616	1,082,606	1,302,664	180,937	41,718	3,193,541
Impairment constituted (Euros '000)	76,597	92,917	16,813	40,548	3,355	230,230
2010						
Number of operations	4,211	8,155	25,794	147,320	173	185,653
Value (Euros '000)	663,259	1,277,295	1,395,717	233,214	51,868	3,621,353
Impairment constituted (Euros '000)	68,276	243,572	11,384	44,506	3,554	371,292
2011						
Number of operations	4,337	12,911	16,731	174,982	142	209,103
Value (Euros '000)	416,826	1,053,559	833,007	235,025	38,481	2,576,898
Impairment constituted (Euros '000)	69,428	89,522	4,914	44,651	4,790	213,305
2012						
Number of operations	4,463	15,768	13,824	168,051	582	202,688
Value (Euros '000)	548,336	1,841,334	628,836	294,541	98,731	3,411,778
Impairment constituted (Euros '000)	52,372	111,262	5,048	58,951	3,239	230,872
2013						
Number of operations	5,572	21,360	14,452	232,881	544	274,809
Value (Euros '000)	748,875	2,288,687	723,798	580,291	389,952	4,731,603
Impairment constituted (Euros '000)	85,957	126,750	6,781	68,661	5,909	294,058
2014						
Number of operations	5,837	27,049	10,395	283,421	692	327,394
Value (Euros '000)	830,066	3,169,496	592,492	829,709	490,686	5,912,449
Impairment constituted (Euros '000)	79,823	166,901	5,610	68,977	12,512	333,823
2015						
Number of operations	10,091	59,947	11,250	375,097	1,556	457,941
Value (Euros '000)	1,246,815	5,143,129	748,290	1,568,922	479,957	9,187,113
Impairment constituted (Euros '000)	94,620	240,988	3,861	53,933	6,252	399,654
TOTAL						
NUMBER OF OPERATIONS	63,269	197,856	498,681	2,251,159	5,658	3,016,623
VALUE (EUROS '000)	8,189,817	22,732,956	24,488,366	4,930,511	2,016,731	62,358,381
IMPAIRMENT CONSTITUTED (EUROS '000)	953,713	1,694,993	341,144	505,765	47,179	3,542,794

As at 31 December 2016, the following tables include the details of the loans portfolio subject to individual and collective impairment by segment, sector and geography:

(Thousand of Euros)

	2016					
	Exposure			Impairment		
Segment	Individual	Colletive	Total	Individual	Collective	Total
Construction and CRE	2,119,430	4,628,862	6,748,292	758,593	210,385	968,978
Companies – Other Activities	3,185,584	17,105,787	20,291,371	1,152,849	309,237	1,462,086
Mortgage loans	73,302	24,030,390	24,103,692	22,330	293,984	316,314
Individuals – Others	124,418	4,540,557	4,664,975	66,963	446,388	513,351
Other loans	1,303,921	1,667,215	2,971,136	585,872	22,306	608,178
TOTAL	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(Thousand of Euros)

	2016					
	Exposure			Impairment		
Sector	Individual	Colletive	Total	Individual	Collective	Total
Loans to Individuals	189,387	27,089,364	27,278,751	85,368	684,960	770,328
Manufacturing	260,843	4,117,389	4,378,232	98,174	87,593	185,767
Construction	990,647	2,379,746	3,370,393	400,294	134,501	534,795
Commerce	192,188	4,576,106	4,768,294	67,719	171,453	239,172
Real Estate Promotion	572,232	749,161	1,321,393	158,805	12,299	171,104
Other Services	3,745,051	10,060,467	13,805,518	1,607,959	158,625	1,766,584
Other Activities	856,307	3,000,578	3,856,885	168,288	32,869	201,157
TOTAL	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(Thousand of Euros)

	2016					
	Exposure			Impairment		
Geography	Individual	Colletive	Total	Individual	Collective	Total
Portugal	6,130,870	38,100,228	44,231,098	2,458,327	1,004,630	3,462,957
Mozambique	105,654	1,375,707	1,481,361	38,115	50,696	88,811
Poland	197,002	12,496,876	12,693,878	88,094	226,974	315,068
Switzerland	373,129	-	373,129	2,071	-	2,071
TOTAL	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

As at 31 December 2015, the following table includes the details of the loans portfolio subject to individual and collective impairment by segment:

(Thousand of Euros)

	2015					
	Exposure			Impairment		
Segment	Individual	Colletive	Total	Individual	Colletive	Total
Construction and CRE	2,886,383	5,303,434	8,189,817	732,516	221,197	953,713
Companies – Other Activities	4,292,726	18,440,230	22,732,956	1,336,467	358,526	1,694,993
Mortgage loans	59,613	24,428,753	24,488,366	20,746	320,398	341,144
Individuals – Others	252,149	4,678,362	4,930,511	75,184	430,581	505,765
Other loans	346,728	1,670,003	2,016,731	28,018	19,161	47,179
TOTAL	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

As at 31 December 2015, the following tables include the details of the loans portfolio subject to individual and collective impairment, by sector and geography:

(Thousand of Euros)

	2015					
	Exposure			Impairment		
Sector	Individual	Colletive	Total	Individual	Colletive	Total
Loans to Individuals	292,600	27,437,525	27,730,125	85,043	692,124	777,167
Manufacturing	388,032	4,090,637	4,478,669	143,023	98,017	241,040
Construction	1,237,097	2,786,561	4,023,658	312,919	137,284	450,203
Commerce	297,513	4,738,677	5,036,190	122,744	191,413	314,157
Real Estate Promotion	768,062	800,971	1,569,033	203,248	15,616	218,864
Other Services	4,168,200	10,512,458	14,680,658	1,219,629	171,062	1,390,691
Other Activities	686,095	4,153,953	4,840,048	106,325	44,347	150,672
TOTAL	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

(Thousand of Euros)

	2015					
	Exposure			Impairment		
Geography	Individual	Colletive	Total	Individual	Colletive	Total
Portugal	6,949,421	38,876,540	45,825,961	1,992,318	1,064,049	3,056,367
Angola	341,823	903,143	1,244,966	35,933	13,054	48,987
Mozambique	112,673	1,956,315	2,068,988	30,979	59,928	90,907
Poland	226,760	12,784,784	13,011,544	133,134	212,832	345,966
Switzerland	206,922	-	206,922	567	-	567
TOTAL	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

The following chart includes the entrances and the exits of the restructured loans portfolio:

(Thousand of Euros)

	2016	2015
BALANCE ON 1 JANUARY	**5,440,684**	6,294,286
Transfers from structure changes (*)	**(71,197)**	-
Restructured loans in the year	**888,271**	436,797
Accrued interests of the restructured portfolio	**7,383**	13,714
Settlement restructured credits (partial or total)	**(684,603)**	(669,484)
Reclassified loans from restructured to normal	**(299,580)**	(334,469)
Others	**(221,387)**	(300,160)
BALANCE AT THE END OF THE YEAR	**5,059,571**	5,440,684

(*) Banco Millennium Angola, S.A.

As at 31 December 2016, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies – Other Activities and Mortgage loans

	2016					
	Construction and Commercial Real Estate		Companies – Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral(*)	Real Estate	Other Collateral(*)	Real Estate	Other Collateral(*)
<0.5 M€						
Number	9,122	6,118	11,425	50,211	406,843	447
Value (Euros '000)	1,037,511	101,234	1,576,589	549,682	44,361,715	22,468
>= 0.5 M€ AND <1 M€						
Number	582	48	1,233	254	2,048	4
Value (Euros '000)	390,326	26,845	858,829	140,359	1,317,158	2,506
>= 1 M€ AND <5 M€						
Number	417	44	1,055	223	274	1
Value (Euros '000)	804,227	55,103	2,069,466	367,380	407,943	1,824
>= 5 M€ AND <10 M€						
Number	52	3	110	18	6	-
Value (Euros '000)	314,635	6,148	745,492	120,051	32,022	-
>= 10 M€ AND <20 M€						
Number	41	3	72	11	2	-
Value (Euros '000)	586,963	15,950	987,617	151,649	26,807	-
>= 20 M€ AND <50 M€						
Number	11	-	25	12	-	-
Value (Euros '000)	339,336	-	834,071	310,046	-	-
>= 50 M€						
Number	3	-	9	5	-	-
Value (Euros '000)	221,017	-	763,086	913,612	-	-
TOTAL						
NUMBER	10,228	6,216	13,929	50,734	409,173	452
VALUE (EUROS '000)	3,694,015	205,280	7,835,150	2,552,779	46,145,645	26,798

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2015, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies – Other Activities and Mortgage loans:

	2015					
	Construction and Commercial Real Estate		Companies – Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral (*)	Real Estate	Other Collateral (*)	Real Estate	Other Collateral
<0.5 M€						
Number	12,056	6,495	12,089	44,802	415,801	475
Value (Euros '000)	1,394,317	153,284	1,701,192	546,688	46,374,024	24,919
>= 0.5 M€ AND <1 M€						
Number	667	87	1,304	290	2,170	6
Value (Euros '000)	454,885	53,665	906,023	150,550	1,397,548	4,400
>= 1 M€ AND <5 M€						
Number	565	61	1,127	234	278	1
Value (Euros '000)	1,158,314	123,633	2,234,597	381,216	399,695	1,916
>= 5 M€ AND <10 M€						
Number	60	15	112	27	4	2
Value (Euros '000)	412,657	101,666	764,916	173,204	28,090	11,211
>= 10 M€ AND <20 M€						
Number	48	6	69	9	2	-
Value (Euros '000)	669,655	67,384	944,784	126,314	27,751	-
>= 20 M€ AND <50 M€						
Number	24	5	31	11	-	-
Value (Euros '000)	801,044	143,204	1,011,505	334,676	-	-
>= 50 M€						
Number	8	10	11	4	-	-
Value (Euros '000)	532,218	1,388,612	1,003,032	430,381	-	-
TOTAL						
NUMBER	13,428	6,679	14,743	45,377	418,255	484
VALUE (EUROS '000)	5,423,090	2,031,448	8,566,049	2,143,029	48,227,108	42,446

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2016, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies – Other Activities and Mortgage loans:

(Thousand of Euros)

	2016			
Segment / Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
CONSTRUCTION AND CRE				
Without associated collateral	n.a.	2,623,640	572,377	335,981
<60%	9,440	651,488	62,593	31,177
>=60% and <80%	3,558	376,367	148,279	48,787
>=80% and <100%	2,290	432,887	92,814	68,083
>=100%	39,362	958,081	829,766	484,950
COMPANIES – OTHER ACTIVITIES				
Without associated collateral	n.a.	12,993,008	1,062,494	707,851
<60%	36,660	1,830,677	115,842	105,523
>=60% and <80%	13,370	1,075,359	101,104	58,065
>=80% and <100%	10,516	697,979	122,288	48,271
>=100%	8,500	1,797,476	495,144	542,376
MORTGAGE LOANS				
Without associated collateral	n.a.	80,268	8,283	6,719
<60%	257,170	8,287,300	143,948	20,873
>=60% and <80%	137,791	7,462,388	185,475	18,938
>=80% and <100%	81,980	4,520,200	291,601	34,685
>=100%	43,992	2,418,488	705,741	235,099

As at 31 December 2015, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies – Other Activities and Mortgage loans:

(Thousand of Euros)

	2015			
Segment / Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
CONSTRUCTION AND CRE				
Without associated collateral	n.a.	2,314,023	557,414	331,837
<60%	5,717	453,599	54,388	24,024
>=60% and <80%	1,342	249,570	39,988	10,014
>=80% and <100%	916	179,502	62,068	18,762
>=100%	55,935	2,017,784	1,269,573	553,321
COMPANIES – OTHER ACTIVITIES				
Without associated collateral	n.a.	13,720,242	927,234	791,513
<60%	28,565	1,583,484	85,946	64,946
>=60% and <80%	11,097	759,614	45,272	14,638
>=80% and <100%	8,153	769,771	31,884	23,879
>=100%	21,986	2,956,534	1,161,964	766,348
MORTGAGE LOANS				
Without associated collateral	n.a.	73,729	8,353	5,864
<60%	236,427	7,936,249	140,152	19,231
>=60% and <80%	126,533	7,159,413	191,078	16,967
>=80% and <100%	88,138	4,981,900	362,166	39,580
>=100%	61,705	2,806,731	807,200	257,976

As at 31 December 2016, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by aging:

(Thousand of Euros)

	2016					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset	Book value	Value of the asset	Book value	Value of the asset	Book value
LAND						
Urban	652,374	574,518	400,618	400,618	1,052,992	975,136
Rural	15,523	12,021	-	-	15,523	12,021
BUILDINGS IN DEVELOPMENT						
Commercials	-	-	44,634	44,634	44,634	44,634
Others	674	674	-	-	674	674
CONSTRUCTED BUILDINGS						
Commercials	239,084	207,589	41,855	41,855	280,939	249,444
Mortgage loans	749,929	649,284	24,417	24,417	774,346	673,701
Others	178,912	150,934	6,643	6,643	185,555	157,577
OTHERS	-	-	3,817	3,817	3,817	3,817
TOTAL	1,836,496	1,595,020	521,984	521,984	2,358,480	2,117,004

(Thousand of Euros)

	2016					
		Past due since the lieu / execution				
Asset	Number of Propertis	<1 year	>=1 year and <2,5 years	>=2,5 years and <5 year	>=5 years	Total
LAND						
Urban	2,358	271,988	212,774	142,385	347,989	975,136
Rural	188	7,209	1,527	920	2,365	12,021
BUILDINGS IN DEVELOPMENT						
Commercials	2	-	-	-	44,634	44,634
Others	2	617	-	-	57	674
CONSTRUCTED BUILDINGS						
Commercials	1,695	33,848	65,991	79,047	70,558	249,444
Mortgage loans	7,609	343,610	178,169	79,199	72,723	673,701
Others	406	18,082	26,612	65,203	47,680	157,577
OTHERS	3	-	-	-	3,817	3,817
TOTAL	12,263	675,354	485,073	366,754	589,823	2,117,004

As at 31 December 2015, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by aging:

(Thousand of Euros)

	2015					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset	Book value	Value of the asset	Book value	Value of the asset	Book Value
LAND						
Urban	380,027	348,226	213,254	213,254	593,281	561,480
Rural	62,447	54,967	-	-	62,447	54,967
BUILDINGS IN DEVELOPMENT						
Commercials	-	-	47,274	47,274	47,274	47,274
Others	993	993	-	-	993	993
CONSTRUCTED BUILDINGS						
Commercials	248,025	214,318	18,132	18,132	266,157	232,450
Mortgage loans	538,527	458,400	40,947	40,947	579,474	499,347
Others	208,533	175,074	5,476	5,476	214,009	180,550
OTHERS	2,908	2,908	3,676	3,676	6,584	6,584
TOTAL	1,441,460	1,254,886	328,759	328,759	1,770,219	1,583,645

(Thousand of Euros)

	2015					
		Past due since the lieu / execution				
Asset	Number of properties	<1 year	>=1 year and <2,5 year	>=2,5 anos and <5 anos	>=5 anos	Total
LAND						
Urban	1,786	168,101	62,322	83,156	247,901	561,480
Rural	258	31,800	8,023	4,356	10,788	54,967
BUILDINGS IN DEVELOPMENT						
Commercials	2	-	-	-	47,274	47,274
Others	2	909	-	-	84	993
CONSTRUCTED BUILDINGS						
Commercials	1,699	41,605	80,013	70,165	40,667	232,450
Mortgage Loans	5,027	192,586	140,930	79,595	86,236	499,347
Others	428	38,898	46,964	47,818	46,870	180,550
OTHERS	146	2,908	-	-	3,676	6,584
TOTAL	9,348	476,807	338,252	285,090	483,496	1,583,645

As at 31 December 2016, the following table includes the distribution of the loans portfolio by degrees of internal risk, attributable in Portugal and Poland:

(Thousand of Euros)

	2016					
	Segments					
Degrees of risk	Construction and CRE	Companies Other Activities	Mortagage Loans	Individuals Others	Others Loans	Total
HIGHER QUALITY						
1	-	2	-	-	-	2
2	2,033	19,519	4,018,844	341,842	-	4,382,238
3	3,281	119,768	2,599,096	98,061	361	2,820,567
4	45,395	1,594,023	5,259,247	230,697	14,699	7,144,061
5	146,495	1,510,764	3,119,117	697,564	313,173	5,787,113
6	381,357	2,539,932	1,900,010	517,556	22,233	5,361,088
AVERAGE QUALITY						
7	220,504	1,708,236	1,481,423	523,515	97,764	4,031,442
8	349,773	2,397,122	899,127	366,992	50,565	4,063,579
9	338,060	1,731,824	768,276	290,138	161,730	3,290,028
LOWER QUALITY						
10	672,034	978,908	686,832	193,492	200,950	2,732,216
11	208,538	532,768	377,493	113,588	14,080	1,246,467
12	864,728	1,655,436	625,830	156,357	78,252	3,380,603
PROCEDURAL						
13	19,964	66,622	175,318	53,030	-	314,934
14	31,403	110,015	96,273	32,841	55	270,587
15	2,500,535	3,516,179	1,908,378	815,257	832,366	9,572,715
NOT CLASSIFIELD (WITHOUT DEGREE OF RISK)	391,079	1,788,807	167,208	33,454	146,788	2,527,336
TOTAL	6,175,179	20,269,925	24,082,472	4,464,384	1,933,016	56,924,976

As at 31 December 2015, the following table includes the distribution of the loans portfolio by degrees of internal risk, attributable in Portugal and Poland:

(Thousand of Euros)

	2015					
	Segments					
Degrees of risk	Construction and CRE	Companies Other Activities	Mortagage Loans	Individuals Others	Others Loans	Total
HIGHER QUALITY						
2	2,871	16,966	3,796,497	305,545	20	4,121,899
3	3,041	81,159	2,616,440	101,680	3	2,802,323
4	46,606	791,398	5,172,137	234,454	660,609	6,905,204
5	118,767	1,895,814	3,120,401	625,254	6,024	5,766,260
6	409,550	2,238,598	2,018,454	471,872	36	5,138,510
AVERAGE QUALITY						
7	226,511	1,796,178	1,547,503	475,442	16,258	4,061,892
8	296,472	2,139,309	987,988	368,608	-	3,792,377
9	893,478	2,105,388	820,300	272,764	81	4,092,011
LOWER QUALITY						
10	286,894	1,452,108	754,657	220,436	8	2,714,103
11	296,623	748,409	420,225	109,546	-	1,574,803
12	900,408	2,156,475	712,358	180,520	33	3,949,794
PROCEDURAL						
13	18,062	45,972	168,981	50,610	7,964	291,589
14	128,796	290,080	164,793	47,858	-	631,527
15	3,117,792	4,348,452	2,028,829	906,225	789	10,402,087
NOT CLASSIFIED (WITHOUT DEGREE OF RISK)	337,387	1,932,553	118,704	199,975	4,505	2,593,124
TOTAL	7,083,258	22,038,859	24,448,267	4,570,789	696,330	58,837,503

Credit 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.

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": 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 mentioned above takes 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 (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 defined by in force regulations. The control of these limits considers:

- Two types of "major exposures", at Group level and at the level of each Group entity;
- That the basis used to define major exposures and to estimate the limit-values of the concentration is the own funds level (consolidated or individual, at the level of each Group entity);
- That 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;
- That 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 Commission 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, 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.

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.

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 – should also be highlighted. 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.

As at 31 December 2016, the tables of control of credit concentration are as follows:

Largest risks	Limit	Economic groups
MAJOR EXPOSURES – GROUP	Max 75% of COF	
Portugal	70.40%	29
MAJOR EXPOSURES – BY ENTITY	Max 75% of COF	
Portugal	70.40%	29
Poland	6.20%	3
"Hot spots"		Weight over COF
30 Largest exposures	Max 50% of COF	71.7%
Exposures to shareholders with at least 0.5% of share capital	Max 20% of COF	10.4%

Counterparties	Limit (as a % of COF)	Largest net exposures(*) / COF
Sovereign	Very low risk: 25%; Low risk: 10%; Medium or worse risk: 7.5%	Treasury Country A (Very low risk): 0.4%; Treasury Country B (Very low risk): 0.4%; Sovereign Entity A (Low risk): 0.2%
Banks	Very low risk: 10%; Low risk: 5%; Medium or worse risk: 2.5%	Medium or worse risk (10 largest exposures): 0.5% (**) Bank A: 2.3%; Bank B: 2.2%; Bank C: 1.0%; Bank D: 0.8%; Bank E: 0.5%; Bank F: 0.5%; Bank G: 0.5%; Bank H: 0.5%; Bank I: 0.4%; Bank J: 0.4%
Other counterparties	5%	Client Group A: 8.7%; Client Group B: 6.9%; Client Group C: 4.3%; Client Group D: 4.0%

Portfolios	Limit (as a % of OF)	Largest net exposures(*) / COF (or EOF)
Country risk	Very low risk: 40% of COF; Low risk: 20% of COF; Medium or worse risk: 10% of COF	Medium or worse risk: 2.3% Country A: 4.8% ; Country B: 3.9%; Country C: 2.8% ; Country D: 2.8%; Country E: 2.4% ; Country F: 1.7%; Country G: 1.4% ; Country H: 1.2%; Country I: 0.8% ; Country J: 0.8%
Sector risk	40% of EOF	Portugal: Construction 22.8%; Commerce and repairs 17.0%; Financial activities and insurance 15.3% Poland: Commerce and repairs 27.4%; Financial activities and insurance 14.7%

(*) LGD x EAD (considering LGD = 45% in the cases treated by STD)
(**) Not considering institution in which the Group has a financial stake
COF = Consolidated Own Funds. EOF = Entity's Own Funds

Market risk

Group uses an integrated market risk measure that allows a monitoring of all relevant sub-types of risk. This measure integrates the generic risk assessment, the specific risk, the non-linear risk and the commodities risk. Each of these risk sub-types is measured individually using an appropriate risk model, the integrated measure being ascertained from the measures of each sub-type, without considering any type of diversification among the four sub-types (worst case scenario approach).

For daily measurement of the generic market risk – including interest rate risk, exchange rate risk, stock risk and price risk of the Credit Default Swaps – a VaR (Value-at-Risk), considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, is applied an internally developed methodology that replicates the effect that the main non-linear elements of options positions may have in the calculation of the results of the various portfolios in which they are included, in a similar way to that considered in the VaR methodology using the same time horizon and the same level of significance.

The specific risk and the commodities risk are measured by the standard methodologies defined in the applicable regulations, with an appropriate change in the time horizon considered.

It should be noted that, as from the end of April 2016, with the merger between Banco Millennium Angola (BMA) and Banco Privado Atlântico, the Group ceased to consolidate the Angolan unit by the integral method, thus reducing the VaR Reflect this impact.

The following table presents the values at risk for the trading book between December 31, 2016 and 2015, as measured by the above methodologies:

(Thousand of Euros)

	2016	Maximum	Minimum	2015
Generic Risk (VaR)	**3,921**	5,456	1,560	3,013
Interest rate risk	**3,855**	1,275	1,184	1,663
FX risk	**354**	5,171	1,324	2,421
Equity risk	**37**	85	72	42
Diversifications effects	**325**	1,076	1,020	1,113
Specific risk	**440**	529	322	727
Non linear risk	**8**	17	3	104
Commodities risk	**16**	13	11	13
Globl risk	**4,385**	6,015	2,100	3,857

Thus, the market risks of the trading portfolio are moderately moderate, due to the portfolio. Until the end of April, the VaR and other market risk metrics reflected the impact of the Angola unit, with emphasis on the exchange rate component.

In addition to the significant depreciation observed in the metical throughout the year, in general, exchange rate risk decisively influenced VaR levels in 2016, and there was strong volatility in the foreign exchange market until the middle of the year, with a VaR growth trend and a further deterioration accentuated in July, following the victory of “Brexit” (known on 24 June).

The assessment of the interest rate risk originated by the banking portfolio’s operations is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group’s consolidated balance sheet.

Changes in market interest rates have an effect on the Group's net interest income, in a short as medium / long-term view, affecting the economic value of the Group from a long-term perspective. The main risk factors arise from the mismatch of repricing of portfolio positions (risk of repricing) and the risk of variation in the level of market interest rates (yield curve risk). In addition – although with less impact – there is a risk of unequal variations in different indexes with the same repricing period (basis risk).

In order to identify the Group's banking book exposure to these risks, the monitoring of interest rate risk considers the financial characteristics of the positions registered in the information systems, with a projection of the respective cash-flows expected in accordance with the repricing dates, thus calculating the impact on the economic value resulting from alternative scenarios of changes in the curves of market interest rates.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash-flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

(Thousand of Euros)

	2016			
Currency	- 200 b.p.	- 100 b.p.	+ 100 b.p.	+ 200 b.p.
CHF	3,662	3,662	4,929	9,774
EUR	12,055	18,765	79,381	156,355
PLN	19,346	9,639	(8,953)	(17,274)
USD	9,198	(8,630)	8,448	40,601
TOTAL	44,261	23,436	83,805	189,456

(Thousand of Euros)

	2015			
Currency	- 200 b.p.	- 100 b.p.	+ 100 b.p.	+ 200 b.p.
CHF	3,361	3,361	4,250	8,439
EUR	77,621	58,561	9,865	24,445
PLN	33,840	16,141	(15,076)	(29,171)
USD	(10,560)	(9,499)	9,151	18,063
TOTAL	104,262	68,564	8,190	21,776

As described in accounting policy 1 b), the financial statements of the Group's subsidiaries and associates residing abroad are prepared in their functional currency and translated into Euros at the end of each financial year. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates, with reference to 31 December. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balace sheet)		Average exchange rates (Income statemente)	
Currency	**2016**	2015	**2016**	2015
AOA	**174,8900**	147,4100	**180,8171**	132,4242
BRL	**3,4305**	4,3117	**3,8609**	3,6884
CHF	**1,0739**	1,0835	**1,0925**	1,0631
MOP	**8,4204**	8,6907	**8,4204**	8,8331
MZN	**75,3100**	51,1600	**69,4927**	43,7413
PLN	**4,4103**	4,2639	**4,3756**	4,1817
USD	**1,0541**	1,0887	**1,1047**	1,1063

The foreign exchange risk of the banking portfolio is transferred internally to the trading area (Treasury), according to the risk specialization model followed by the Group to manage the foreign exchange risk of the Balance Sheet. Exchange risk exposures that are not included in this transfer – financial investments in subsidiaries, in foreign currency – are covered on a case-by-case basis by market transactions.

As at 31 December 2016, the Group's financial investments in USD, CHF and PLN were hedged (partially in the latter case). These hedges, on a consolidated basis, are identified in accounting terms as hedges of "Net Investment", in accordance with the IFRS nomenclature. On an individual basis, it is also performed the hedging, in this case by applying "Fair Value Hedge" (partial, in the case of CHF).

Regarding share risk, the Group maintains a number of small and low risk positions in the investment portfolio, which are not intended to be traded for trading purposes. The management of these positions is done by a specific area of the Group, and the respective risk is controlled on a daily basis, through the metrics and limits defined for controlling the market risks.

As at 31 December 2016, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		2016			
Company	Currency	Net Investment Currency '000	Hedging Instruments Currency '000	Net Investment Euros '000	Hedging Instruments Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	82,939	82,939	77,232	77,232
Millennium bcp Bank & Trust	USD	340,000	340,000	322,550	322,550
BCP Finance Bank, Ltd.	USD	561,000	561,000	532,208	532,208
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	45,604	45,604	43,263	43,263
Bank Millennium, S.A.	PLN	2,285,125	2,285,125	518,134	518,134

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM – Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to three months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These 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.

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 transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

During 2016 the consolidated wholesale funding of the Bank increased Euros 541,984,000, mainly due to the reinforcement of both the portfolios of Portuguese public and private debt, already foreseen in the Liquidity Plan for 2016, with the decrease of the commercial gap in Portugal and the operation of shareholder capital increase acting as mitigating factors.

In parallel with the refinancing of medium / long-term debt amounting to Euros 957,868,000 (of which Euros 836,659,000 of senior debt and Euros 121,209,000 of subordinated debt, including the early redemption of Euros 50,000,000 of core tier I capital instruments (CoCos)), the increase of funding needs facing December 2015 involved the growth of the balance of repos in Portugal of Euros 1,348,152,000 (to a balance of Euros 2,318,047,000) and the decrease of the gross borrowings with the Eurosystem of Euros 612,510,000, (to a balance of Euros 4,870,000,000). In net terms, the funding with the ECB decreased at a faster pace, through a reduction of Euros 866,100,000 comparing to the close of the previous year (to a balance of Euros 4,436,292,000), continuing a trend of progressive decrease observable since 2011.

It is worth underlying that the diversification of the funding instruments, included in the yearly Liquidity Plan, was carried on with the realization in significant number and amounts of the first repos collateralized by covered bonds and securitized assets, supplementary to the customary use of Portuguese sovereign debt.

In June 2016, the Bank carried out the early full redemption of the Euros 1,482,510,000 tranche taken in December 2014 under the scope of the first series of the targeted longer-term refinancing operations ("T LTRO"). Simultaneously, has changed the temporal profile of its debt with the ECB by borrowing Euros 3,500,000,000 at four years in a second operation of that nature "T LTRO II", announced by the ECB on March 2016, reinforced in September with an additional tranche of Euros 500,000,000, to a total of Euros 4,000,000,000. The remaining financing requirements with the ECB continued to be secured through the main refinancing operations with original maturities of one week and three months.

The reduction of the net funding with the ECB (from Euros 866,100,000 to Euros 4,436,292,000), and the evolution of the eligible assets available for discount at the Eurosystem[*], allowed that, at the end of 2016, the value of Liquidity buffer amounted to Euros 7,613,801,000, less Euros 1,026,025,000 than in 2015 (Euros 8,639,826,000).

(*) The amount of the portfolio of ECB eligible assets available for discount as at 31 December 2016 does not account for the collateral currently allocated in excess to the covered bond program which, under the form of an issue to be retained as eligible collateral, would allow its increase by an amount of at least Euros 1,500,000,000 after haircuts, assuming the use of the valuation criteria of the ECB concerning the other retained issues. In case of consideration of this amount, the liquidity buffer on 31 December 2016 would amount to Euros 9,113,801,000, more Euros 473,975,000 than 31 December 2015.

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

(Thousand of Euros)

	2016	2015
European Central Bank	**8,592,234**	11,955,411
Other Central Banks	**3,204,850**	2,561,391
	11,797,084	14,516,802

As at 31 December 2016, the amount discounted in the European Central Bank amounted to Euros 4,870,000,000 (31 December 2015: Euros 5,482,510,000). As at 31 December 2016 no amounts were discounted in Other Central Banks. The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the securities portfolio. Until 31 December 2016, the evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

(Thousand of Euros)

	Dec. 16	Sep. 16	Jun. 16	Dec. 15
Collateral eligible for ECB, after haircuts:				
The pool of ECB monetary policy [(i)]	**8,592,234**	**10,028,544**	**11,395,727**	11,955,411
Outside the pool of ECB monetary policy	**3,457,859**	**3,075,740**	**1,356,032**	1,986,808
	12,050,093	**13,104,284**	**12,751,759**	13,942,219
Net borrowing at the ECB [(ii)]	**4,436,292**	**4,867,060**	**4,876,286**	5,302,393
Liquidity buffer [(iii)]	**7,613,801**	**8,237,224**	**7,875,473**	8,639,826

[(i)] Corresponds to the amount reported in COLMS (Bank of Portugal application).
[(ii)] Includes, as at 31 December 2016, the value of funding with the ECB net of deposits at the Bank of Portugal (Euros 433,534,000) and other liquidity of the Eurosystem (Euros 335,992,000), plus the minimum cash reserve (Euros 335,819,000).
[(iii)] Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

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

	Reference Value	2016	2015
Accumulated net cash-flows up to 1 year as % of total accounting liabilities	Not less than (- 6 %)	**-9.2%**	-4.1%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	**4.8%**	6.6%
Transformation Ratio (Credit / Deposits) [(2)]		**99.4%**	101.6%
Coverage ratio of Wholesale funding by HLA [(1)]			
(up to 1 Month)		**590.0%**	353.8%
(up to 3 Month)		**319.9%**	279.5%
(up to 1 year)		**207.5%**	238.2%

[(1)] HLA – Highly Liquid Assets.
[(2)] Transformation ratio computed according to the updated Regulation n. 16/2004 of the Bank of Portugal.

According to the Notice no. 28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and taking into account the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, with reference to 31 December 2016 and 2015, is presented as follows:

(Thousand of Euros)

	2016			
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 of which:	14,164,516	n / a	57,496,393	n / a
Equity instruments	-	-	1,920,821	1,920,821
Debt securities	1,894,589	1,894,589	10,402,545	10,385,168
Other assets	-	n / a	8,950,882	n / a

(Thousand of Euros)

	2015			
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 of which:	12,072,341	n / a	63,192,569	n / a
Equity instruments	-	-	2,313,431	2,313,431
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536
Other assets	-	n / a	8,012,360	n / a

(Thousand of Euros)

	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	**2016**	2015	**2016**	2015
Collateral received by the reporting institution	**-**	-	**-**	-
Equity instruments	**-**	-	**-**	-
Debt securities	**179,046**	-	**21,280**	-
Other assets	**-**	-	**-**	-
Own debt securities issued other than own covered bonds or ABSs	**-**	-	**-**	-

(Thousand of Euros)

	Carrying amount of selected financial liabilities	
Encumbered assets, encumbered collateral received and matching liabilities	**2016**	2015
Matching liabilities, contingent liabilities and securities lent	**9,591,662**	9,023,274
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	**13,752,482**	11,825,051

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market. The funding raised from the IEB is collateralized by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 8,950,882,000 although unencumbered, are mostly related to the Group's activity, namely: investments in associates and subsidiaries, tangible fixed assets and investment property, intangible assets, assets associated with derivatives and deferred tax assets and current taxes.

The amounts presented in these tables correspond to the position as at 31 December 2016 and 2015 and reflect the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 31 December 2016 amounts to Euros 7,613,801,000 (value of the unencumbered assets net of haircuts). As at 31 December 2015 the amount was Euros 8,639,826,000.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousand of Euros)

	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
ASSETS							
Cash and deposits at Central Banks	1,573,912	-	-	-	-	-	1,573,912
Loans and advances to CI							
Repayable on demand	448,225	-	-	-	-	-	448,225
Other loans and advances to customers	-	995,667	18,436	42,099	-	499	1,056,701
Loans and advances to customers	-	-	9,704,539	8,890,665	29,531,972	3,631,277	51,758,453
Financial assets (*)		889,583	1,414,499	4,609,925	3,967,821	909,906	11,791,734
Financial assets held to maturity	-	51,527	41,106	185,591	232,957	-	511,181
	2,022,137	1,936,777	11,178,580	13,728,280	33,732,750	4,541,682	67,140,206
LIABILITIES							
Resources from CI	-	3,872,736	708,060	4,377,349	980,250	-	9,938,395
Resources from costumers	22,017,099	13,421,700	10,935,594	2,264,082	159,172	-	48,797,647
Debt securities issued	-	612,029	1,269,516	611,808	980,699	-	3,474,052
Subordinated debt	-	-	853,887	654,037	44	28,955	1,536,923
	22,017,099	17,906,465	13,767,057	7,907,276	2,120,165	28,955	63,747,017

(*) Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale.

Operational Risk

The approach to operational risk management is based on the business process structure and an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Group, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of BCP.

53. SOLVENCY

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No. 6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; (ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force estipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

Additionally, supervisory authorities may impose a capital buffer to systemically important institutions given their dimension, importance for the economy, 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 institution), and is obliged to comply with an additional buffer of 0.375% as of 1 January 2018 and 0.75% as of 1 January 2019.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the 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.

The own funds and the capital requirements determined according to the CRD IV / CRR (phased-in) methodologies previously referred, are the following:

(Thousand of Euros)

	2016	2015
COMMON EQUITY TIER 1 (CET1)		
Ordinary share capital	**4,268,818**	4,094,235
Share premium	**16,471**	16,471
Ordinary own shares	**(2,880)**	(1,187)
Other capital (State aid)	**700,000**	750,000
Reserves and retained earnings	**36,875**	450,818
Minority interests eligible to CET1	**654,488**	866,167
Regulatory adjustments to CET1	**(799,737)**	(401,744)
	4,874,035	5,774,760
TIER 1		
Capital instruments	**10,629**	22,628
Minority interests eligible to AT1	**-**	2,945
Regulatory adjustments	**(10,629)**	(25,573)
	4,874,035	5,774,760
TIER 2		
Subordinated debt	**403,491**	517,792
Minority interests eligible to CET1	**126,963**	134,987
Others	**(147,152)**	(220,797)
	383,302	431,982
TOTAL OWN FUNDS	**5,257,337**	6,206,742
RWA – RISK WEIGHTED ASSETS		
Credit risk	**35,007,882**	38,707,735
Market risk	**675,498**	1,136,442
Operational risk	**3,260,661**	3,239,684
CVA	**215,749**	231,559
	39,159,790	43,315,420
CAPITAL RATIOS		
CET1	**12.4%**	13.3%
Tier 1	**12.4%**	13.3%
Tier 2	**1.0%**	1.0%
	13.4%	14.3%

54. ACCOUNTING STANDARDS RECENTLY ISSUED

1 – The recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

The following standards, interpretations, amendments and revisions ("endorsed") by the European Union are mandatory for the first time for the year ended 31 December 2016:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions – (Applicable in the European Union to annual periods beginning on or after 1 February 2015)
Clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction of cost with short-term benefits.

Improvements to international financial reporting standards (2010-2012 cycle) – (Applicable in the European Union to annual periods beginning on or after 1 February 2015)
These improvements involve the clarification of some aspects related to: IFRS 2 – Stock-based payments: definition of vesting condition; IFRS 3 – Concentration of business activities: accounting for contingent payments; IFRS 8 – Operating segments: disclosures related to

the judgment applied in relation to segment aggregation and clarification on the need to reconcile total assets by segment with the value of assets in the financial statements; IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets: need for proportional revaluation of accumulated amortization in the case of revaluation of fixed assets; And IAS 24 – Disclosures of related parties: defines that an entity providing management services to the Company or its parent is considered a related party; And IFRS 13 – Fair value: clarifications regarding the measurement of short-term accounts receivable or payable.

Improvements to international financial reporting standards (2012-2014 cycle) – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

These improvements involve the clarification of certain aspects related to: IFRS 5 – Non-current assets held for sale and discontinued operations: introduces guidelines on how to proceed in case of changes in the expected realization method (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impacts of asset tracking contracts in the scope of disclosures associated with the continued involvement of derecognised assets, and exempts the interim financial statements from the required disclosures regarding the offsetting of financial assets and liabilities; IAS 19 Employee benefits: defines that the rate to be used for defined benefit discount purposes shall be determined by reference to the high quality corporate bonds that have been issued in the currency in which the benefits will be liquidated; And IAS 34 – Interim financial report: clarification on the procedures to be adopted when the information is available in other documents issued together with the interim financial statements.

Amendment to IFRS 11 – Joint Arrangements – Accounting for acquisition of interests in a joint operation – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3. When the joint transaction in question is not a business activity, the transaction should be recorded as an asset acquisition. This amendment has prospective application for new acquisitions of interests.

Amendment to IAS 1 – Presentation of financial statements – "Disclosure Initiative"- (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment clarifies some aspects related to the disclosure initiative, namely: (i) the entity should not impede the intelligibility of financial statements through the aggregation of material items with non-material items or through the aggregation of material items with different natures; (ii) the disclosures specifically required by IFRSs only have to be given if the information in question is material; (iii) the lines of the financial statements specified by IAS 1 may be aggregated or disaggregated, as this is more relevant to the objectives of the financial reporting; (iv) that part of the other comprehensive income resulting from the application of the equity method in associates and joint agreements must be presented separately from the other elements of other comprehensive income, also segregating the items that may be reclassified to results of those that will not be reclassified; (v) the structure of banknotes should be flexible and should respect the following order:

- A statement of compliance with IFRS in the first section of the notes;
- A description of the relevant accounting policies in the second section;
- Information supporting the items on the face of the financial statements in the third section; and
- Other information in the fourth section.

Amendment to IAS 16 – Tangible assets and IAS 38 – Intangible assets – Acceptable depreciation methods – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment establishes the presumption (which can be rebutted) that revenue is not an appropriate basis for amortizing an intangible asset and prohibits the use of revenue as a basis for the amortization of tangible fixed assets. The presumption established for the amortization of intangible assets can only be rebutted when the intangible asset is expressed as a function of the income generated or when the use of the economic benefits is highly correlated with the revenue generated.

Amendment to IAS 16 – Tangible assets and IAS 41 – Agriculture: Bearer Plants (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment excludes plants which produce fruit or other components intended for harvesting and / or removal from the scope of IAS 41 and are covered by IAS 16.

Amendment to IAS 27 – Application of the equity method in the separate financial statements – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment introduces the possibility of measuring interests in subsidiaries, joint and associated agreements in financial statements separated by the equity method, in addition to the currently existing measurement methods. This amendment applies retrospectively.

Amendments to IFRS 10 – Consolidated financial statements, IFRS 12 – Disclosures about interests in other entities and IAS 28 – Investments in associates and jointly controlled entities – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

These amendments contemplate the clarification of several aspects related to the application of the exception of consolidation by investment entities.

<u>2 – Standards, interpretations, amendments and revisions that will take effect in future exercises</u>

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, as of the date of approval of these financial statements, endorsed by the European Union:

IFRS 9 – Financial instruments (2009) and subsequent amendments (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

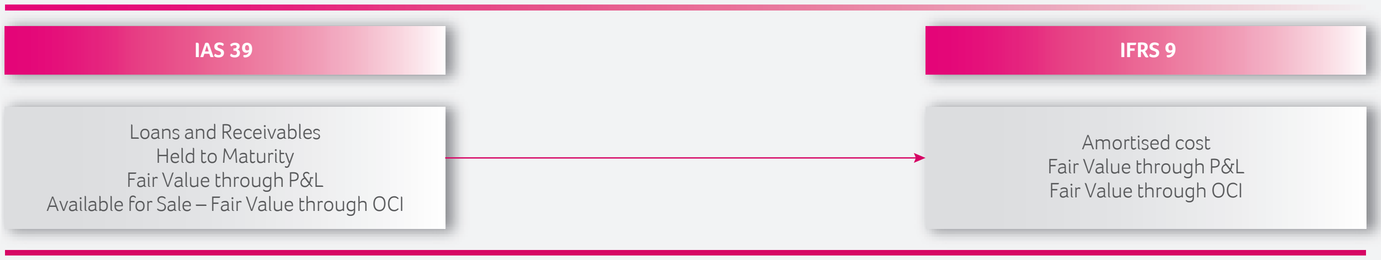
A – Overview

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

(i) Classification and measurement of financial instruments

According to the new standard, there will be a change in classification categories, with more focus on financial assets characteristics and on the Institution´s business model.

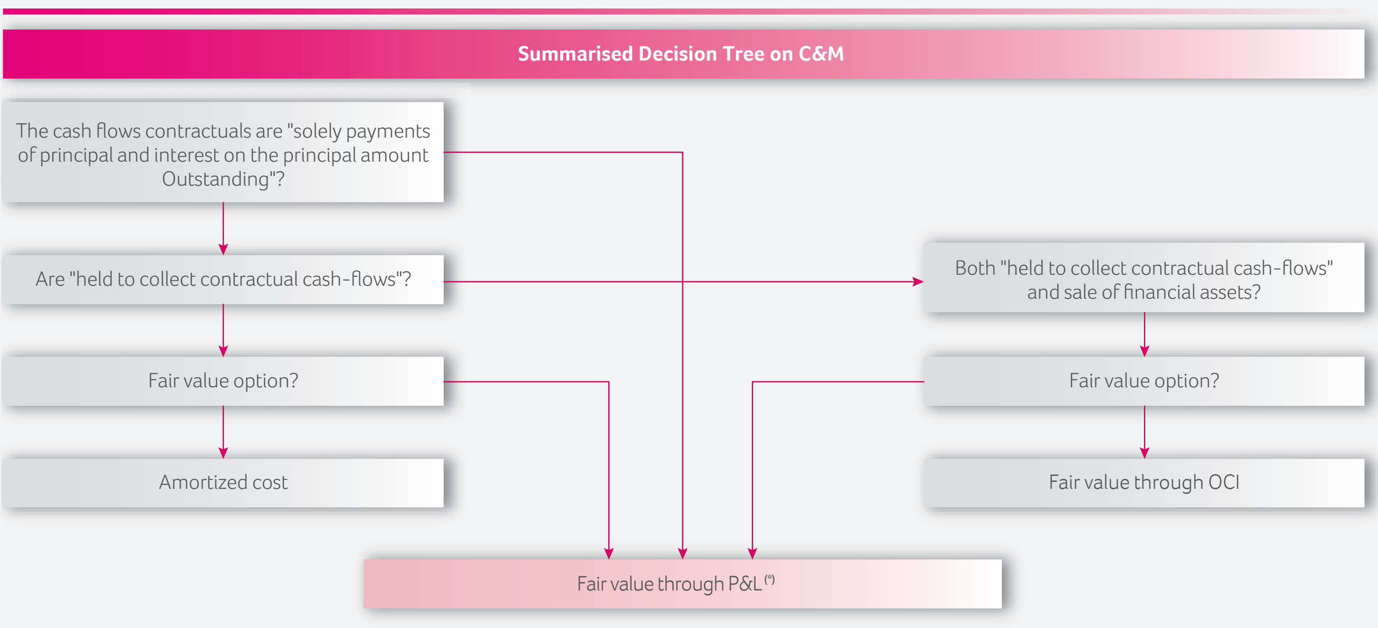
The Business Model and SPPI (solely payment and principal interest) criteria dictates classification, which will change from the actual five classes (Trading, FVO, AFS, HTM and L&R (the last two at amortised cost) to be comprised into only three: FVOPL (fair value through P&L), FVOCI (fair value through OCI) and Amortised Cost, with the potential reclassification of assets may imply changes or revision of the business model.



The new rule of classification and measurement is more principles–based, requiring the Bank to reconsider not only its business model for the management of financial assets but also the characteristics of contractual cash-flows of these assets, in particularly, if they represent solely payments of principal and interests on the principal amount outstanding or if there are other components included in the remuneration.

The business model defines the way how the Bank intends to manage its financial assets in order to generate cash-flows, which under IFRS 9 may be by three ways: (i) collecting contractual cash-flows (capital and interest), (ii) selling the assets or (iii) both.

Under the implementation in course of IFRS 9, the Bank is performed an analysis of the balance sheet, aiming the assessment of SPPI and business model for each instrument or line of the balance sheet, and also performing the benchmark testing, when applicable, which continues to develop and fine-tunning in the context of the work in course. It should be mentioned that in case of BCP Group, the majority of credit portfolio, presently accounted at amortised cost, is composed of simple and basic arrangements, whose remuneration correspond basically of credit and interest rate risk, thus not subject to a fair value approach under IFRS 9.



(*) For equity instruments, there is the option to irrevocably recognize the fair value changes in OCI.

(ii) Impairment of financial assets

This is the item where IFRS 9 is expected to have a larger impact, not only in quantitative terms, but also in terms of change in impairment methodology and potential changes in terms of risk management.

The new standard brings a different approach from what is currently used by most banksin the calculation of impairment losses, where one of the basic principles becomes the assessment of the significant deterioration of the credit risk from the time of origination (or recognition), as well as with respect to the type of loss, where the current concept of loss incurred under IAS 39 will be replaced by an expected loss approach to IFRS 9.

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions, with the forward--looking component being one of the major conceptual changes of the standard. Moreover, the established impairment models will apply transversally to all balance sheet, thus not differentiating for instance between loans and securities. The IFRS 9 impairment model shall be applicable to all financial assets at amortised cost, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantees, among others.

In general terms, the implementation of IFRS 9 is expected to result in higher impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments.

The calculation of the expected credit loss (ECL) shall be based on three different stages allocation:
- Stage 1 – calculation of a 12 month ECL for exposures for which the credit risk has not significantly increased since initial recognition neither being credit-impaired;
- Stage 2 – lifetime expected credit losses for exposures for which the credit risk has increased significantly since initial recognition. The assessment that a significant increase in credit risk has occurred should be based on quantitative and qualitative assessments, relying mostly on internal or external ratings and using 30 days past due criterion as a backstop rather than a primary driver;
- Stage 3 – credit impaired exposures are classified in this stage, being expected an alignment of concepts between the accounting and regulatory capital (CRR). When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income to be presented on a net basis rather than gross.

(iii) Hedge accounting

This is point where is expected minor changes, either quantitative either qualitative from the adoption of the new standard. Basically, the hedge accounting will be more related to risk management policies, allowing a decrease in the results volatility, together with a closer alignment between hedge accounting and risk management. Nevertheless, the new standard allows the maintenance of the criteria of IAS 39, with BCP Group planning to make use of this waiver.

B – Transitional Arrangements and Impact on Capital

Although the IFRS 9 will be in place from January 2018, affecting the financial statements of the Bank as a new accounting standard, it should be empathized that the impact on capital on the following years will depend on the transitional arrangements that are under discussion. We present below some highlights on this topic:
- In its Resolution of 30 September 2016, the European Parliament recognized the impact of IFRS 9 on bank's capital and called for a progressive phase-in regime that would mitigate the impact of the new impairment model and avoid any sudden unwarranted impact on banks' capital ratios and lending to the real economy;
- Pending the Basel discussions, the European Commission has proposed a full neutralization in the first year of adoption (2018) and a 5-year period of phased-in to enable banks to mitigate the impact of IFRS 9 on regulatory capital based on a dynamic approach (assessment of the impacts of IFRS 9 versus IAS 39, in the impairment component);
- In effect, the Basel Committee is undertaking a review of the interaction between the accounting and prudential regimes, having published a consultative document on "Regulatory treatment of accounting provisions – interim approach and transitional arrangements" on October 2016 (with comments to be received until January 2017). The document describes some possible approaches to mitigate the impact of IFRS 9 on capital;
- Also on this subject, EBA issued an opinion on the EU Commission proposal in 6th March of 2017, which, among other points, suggest no neutralization of the new standard's impact during the first year or any of the years, giving preference to a "static approach" and arguing for an analysis of the full impact of the IFRS 9, including not only the effects from the Impairment component but also from Classification and Measurement.

Therefore, taking into consideration the discussions and arguments still pending on this matter, the regulatory capital impact of IFRS9 on the BCP group will depend on the timing and final form of all these initiatives.

C – Main considerations

During 2016, BCP Group made an in-depth gap analysis for the implementation of the project, participated in EBA´s first impact assessment that covered 50 Institutions in EU and started the next phase of design and conception.

The design and build of impairment models, systems, processes, governance, controls and data collection will continue and will be refined during 2017. It is important to highlight that BCP Group has internal ratings models that cover the majority of credit portfolios that it has been using for a considerable period of time, which may be considered as a strong point in the process of IFRS 9 implementation, namely, for the assessment of the significant credit risk deterioration. Moreover, the Bank is also leveraging on the existing data, IT structure and governance due to the fact of being IRB approved and have already developed an organizational architecture to respond to the demanding regulatory requirements.

Considering the information available on the market and preliminary impact studies performed, the ECL component seems to be one with largest impact arising from the adoption of IFRS 9. It is also expected that stage 2 should be the main contributor for the rise in the impairment stock, as captures the impairment allocation of moving from the current emerging period used in the models (e.g. 12 month PD in Portugal) to a Lifetime PD. In the case of IRB approved banks, such is the case of BCP Group that has the bulk of credit exposures under IRB for regulatory purposes, the ultimate impact on capital ratios is mitigated by the decrease of EL IRB Shortfall (deductions to regulatory own funds) of the respective portfolios.

IFRS 15 – Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)
This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 – Revenue, IAS 11 – Construction contracts, IFRIC 13 – Loyalty programs; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter transactions involving advertising services.

The Group does not anticipate material impact on the application of this change in its financial statements.

<u>3 – Standards, interpretations, amendments and revisions not yet adopted by the European Union</u>

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements:

IFRS 14 – Regulated assets
This standard establishes reporting requirements by entities that first adopt IFRSs applicable to regulated assets.

IFRS 16 – Locations
This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 – Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.

The Group does not anticipate any impact on the application of this change in its financial statements.

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures
These amendments eliminate a conflict between those rules, related to the sale or contribution of assets between the investor and the associate or between the investor and the joint venture.

Amendments to IAS 12 – Income tax
These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.

Amendments to IAS 7 – Cash-Flows Statement
These amendments introduce additional disclosures related to the cash-flows from financing activities.

Amendments to IFRS 15 – Revenue from contracts with customers
These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

Amendments to IFRS 2 – Share-based payments
These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.

Amendments to IFRS 4 – Insurance contracts
These amendments provide guidance on the application of IFRS 4 in conjunction with IFRS 9.

Amendments to IAS 40 – Investment properties
These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset

Improvements to international financial reporting standards (cycle 2014-2016)
These improvements involve the clarification of some aspects related to: IFRS 1 – First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 – Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

IFRIC 22 – Foreign currency transactions and down payments
This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group (Company) in the year ended 31 December 2016.

55. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

In accordance with accounting policy 1 z), the main contingent liabilities and other commitments under IAS 37 are as follows:

1. The Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based on preliminary evidence of administrative offences foreseen in the Legal Framework for Credit Institutions and Financial Companies (approved by Decree--Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

The proceedings continued and by a Decision issued on 9 June 2015, the Lisbon Court of Appeal partly approved the Bank's Appeal and declared that part of the offences of alleged provision of false information to the Bank of Portugal had reached a statute of limitation, thereby acquitting the Bank of the remaining offences (that did not reach the statute). It further acquitted the Bank of two others alleged offences of falsifying accounting records. The Lisbon Court of Appeal confirmed the sentence of the Bank for two other alleged offences of falsifying accounting records. Therefore, the Lisbon Court of Appeal decreased the fine imposed to the Bank, from Euros 4,000,000 to Euros 750,000. The bank and one of the defendants (individual) appealed this Judgment to the Constitutional Court but these appeals were denied. The Judgment of the Lisbon Court of Appeal became definitive and final.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for a civil indemnity.

Through a sentence issued on 2 May 2014, one of the defendants was acquitted and the others were sentenced to suspended 2-year prison sentences and to the payment of fines amounting to between Euros 300,000 and Euros 600,000 for the crime of market manipulation, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. In its decision dated of 25 February 2015, the Lisbon Court of Appeal confirmed in full the terms of the aforementioned sentence. According to the information available, the appellate court's final decision has not yet been delivered as final.

3. In December of 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, filed a lawsuit against the Bank for Euros 75,735,026.50 claiming: (i) the acknowledgement that the loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) for the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005: and (iv) the statement of non--existence of a foreign exchange debt represented by a promissory note (held by the company) acting as security.

One of the creditors of the plaintiff requested its bankruptcy and the Bank claimed credits amounting to Euros 82,253,962.77. The Plaintiff was declared to be insolvent, therefore the claim she filed against the Bank was dismissed because the proceedings were deemed useless, and the judgment has been delivered as final.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings no. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings were suspended by the Competition Authority until the legal decision of the various pending interlocutory appeals.

In October 2016, the Lisbon Court of Appeal overruled the decision of the Competition, Regulation and Supervision Court which had decided for the proceedings to be suspended.

The Bank appealed to the Constitutional Court on this sentence. Even though the Constitutional Court already denied the appeal and the decision became final, the Competition Authority has yet to reopen the investigation.

5. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements in CHF. Customers question a set of clauses notably on the bid-offer spread between PLN and CHF for conversion of credits. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015 the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank´s motion for a security deposit to secure litigation costs. Bank Millennium filed an appeal on this decision on 6 April 2016, which was denied by the Court of Appeal on 13 July 2016.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission. On 2 August 2016 the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings.

Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016 the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. The hearing was scheduled on 15 March 2017.

On 3 December 2015 the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF – indexed mortgage loans. The plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.79 millions) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. On 3 March 2016 the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive.

On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients (PCZ SA and Europejska Fundacja Współpracy Polsko – Belgijskiej / European Foundation for Polish-Belgian Cooperation (EFWP-B)), in the amount of PLN 150 million and of PLN 521.9 million respectively. The authors allege in their petitions that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the Authors. A decision of the Warsaw Regional Court is awaited.

6. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 – debts already fully provisioned in the Bank's accounts –, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) Deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) Have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) Have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence and counterclaim, demanding the payment of the debt. The Plaintiffs submitted their defence against the counterclaim and the Bank answered in July 2016.

7. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.

On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the provisos of article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4,900 million, becoming the sole shareholder.

Within this context, the Resolution Fund asked for loans amounting to Euros 4,600 million, Euros 3,900 million of which were granted by the State and Euros 700 million by a group of credit institutions, including BCP.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process and which may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to make, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the liquidation process is over, if it is ascertained that the creditors, whose credits were not transferred to Novo Banco, would take on a loss higher than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 20 February 2017, Banco de Portugal communicated that it decided to select the potential investor Lone Star to be part of an exclusive definitive negotiation stage for the conditions under which the sale of the investment that the Resolution Fund held in Novo Banco, S.A. could be carried out.

On 31 March 2017, Banco de Portugal made a communication on the sale of Novo Banco, where it states the following:

"Banco de Portugal selected today the company Lone Star to conclude the sale of Novo Banco. The sale agreement documentation was already signed by the Resolution Fund.

In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling Euros 1,000 million, Euros 750 million of which at the moment the operation is completed and Euros 250 million during the following three years.

Via this capital injection, the company Lone Star will become the owner of 75% of the share capital of Novo Banco and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialize. These are related with: (i) the performance of a defined group of assets of Novo Banco and (ii) the performance shown by the bank's capitalization levels.

The eventual capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, to line up the incentives and supervision, despite the limitations resulting from the application of State aid rules.

The completion of the sale depends on receiving the usual regulatory authorisations (including from the European Central Bank and from the European Commission) and also on the execution of a liabilities management exercise, subject to the bondholders joining in, which will encompass the unsubordinated bonds of Novo Banco and generate at least Euros 500 million in own funds eligible for CET1, by offering new bonds."

Resolution measure of Banif – Banco Internacional do Funchal, S.A.
On 19 December 2015, the Board of Directors of Banco de Portugal resolved to announce that Banif was "at risk of insolvency or insolvent" and to open the process for the urgent resolution of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold were transferred into an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, of which the Resolution Fund is the sole shareholder. For that purpose, Oitante issued bonds representing debt amounting to Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee.

The operation involved state aid, Euros 489 million of which were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund were funded through a loan granted by the State.

General aspects
Pursuant to the resolution measures applied to BES and Banif, on 31 December 2016 the Resolution Fund held the entire share capital of Novo Banco and of Oitante.

Within the scope of these measures, the Resolution Fund asked for loans and took on other responsibilities and contingent liabilities:
- Effects of the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation.
- Negative effects of the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A. and that must be neutralized by the Resolution Fund.
- Legal proceedings filed against the Resolution Fund.
- Guarantee of the bonds issued by Oitante S.A. totalling Euros 746 million, of which Oitante, S.A. reimbursed Euros 90 million early. This guarantee is counter-guaranteed by the Portuguese State.

To reimburse the loans obtained and to face other liabilities that it may take on, the Resolution Fund has only the revenues from the initial and regular contributions from the participating institutions (including BCP) and from the contribution levied on the banking industry by Law 55-A/2010. It also provides for the possibility of the member of the Government in charge of finances determining, issuing an ordinance, that the participating institutions should make special contributions, in the situations foreseen in the applicable legislation, namely in case of the Resolution Fund not having own resources for fulfilling its obligations.

Pursuant to Decree-Law no. 24/2013 of February 19, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that the Bank of Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. According to the Bank of Portugal No. 19/2015, published on 29 December, the Portuguese banks paid contributions to the Resolution Fund in 2016, calculated according to a base rate of 0.02%. The Instruction No. 21/2016 of the Bank of Portugal, published on 26 December sets the base rate to be effective in 2017 for the determination of periodic contributions to the FR by 0.0291%.

Thus, in 2016, the Group made periodic contributions to the Resolution Fund in the amount of Euros 5,661,000. The amount related to the contribution on the banking sector for the year 2016 was Euros 24,820,000. These contributions were recognised as cost in the months of April and June, in accordance with IFRIC No. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 31,364,000. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group was Euros 24,967,000, of which the Group delivered Euros 21,156,000 and the remaining was constituted as irrevocable payment commitment, as referred in note 8. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

By a public statement on 28 September 2016, the RF and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900,000,000 loan originally granted by the State to the FR in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Portuguese Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund in order to maintain the required contribution to the sector at the current levels.

According to the communication of the Resolution Fund of 21 March 2017:

– "The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A." These loans amount to Euros 4,953 million, Euros 4,253 million granted by the Portuguese State and Euros 700 million granted by a group of banks.
– "These loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled pari-passu with one another".
– "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund".
– "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the partial sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including BCP, and the public notice made by the Resolution Fund and by the Office of the Portuguese Ministry of Finance mentioning that such a possibility will not be used, the financial statements as of 31 December 2016 translate the Bank's expectation that no special contributions or other type of extraordinary contributions will be required of the institutions part of the Resolution Fund to finance the resolution measures applied to BES and to Banif.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

8. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros 3,000 million, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier I. Until 31 December 2016, were reimbursed Euros 2,300 million of these bonds, so have to be amortized Euros 700 million. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law. The amortization depends on the prior authorization of the prudential supervision.

Also under the context of timely published information in this respect, the restructuring plan approved by the European authorities provides for a set of commitments, including those relating to the repayment schedule of these instruments, which may require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the rights issue completed in this date.

9. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives.

This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

10. The Bank was subject to tax inspections for the years up to 2014. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction pro rata used for the purpose of determining the amount of deductible VAT. The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

56. EXPOSURE TO SOVEREIGN DEBT

Following a period of deceleration in economic activity and increase of inflation, of revisions to the rating of the Republic of Mozambique, depreciation of the metical and of decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate, of a total of 600 b.p. since December, as well as increasing the reserve ratio. This set of factors constrained commercial banking in Mozambique, pushing it to pursue strict liquidity management, with a focus on raising funds, despite contributing to the improvement of net interest income.

According to an International Monetary Fund (IMF) statement dated 23 April 2016, it was found debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this finding, the economic program supported by the IMF was suspended. According to an International Monetary Fund (IMF) statement dated 13 December 2016, discussions were initiated on a possible new agreement with the Government of Mozambique, and were agreed the terms of reference for an external audit which is in progress.

In a statement dated 16 January 2017, the Ministry of Economy and Finance of Mozambique informed the holders of bonds issued by the Republic of Mozambique "US $ 726.524 million, 10.5%, repayable securities in 2023" that the interest payment in the amount of USD 59,756,599, due on 18 January 2017, would not be paid by the Republic of Mozambique. The Group does not directly or indirectly hold the above obligations. According to the analysis carried out by the Group, this situation does not alter the expectations of the Group on the ability of the Government of Mozambique and public companies to honour their commitments.

As at 31 December 2016, considering the 66.7% indirect investment in BIM Group, the Bank's interest in BIM's equity amounted to Euros 208,189,000. In addition, the exchange translation reserve associated with this participation amounts to a negative value of Euros168,883,000. BIM's contribution to consolidated net income for the year 2016 attributable to the shareholders of the Bank amounts to Euros 38,102,000.

As at 31 December 2016 and 2015, the Group has the following exposure to the debt of countries which have requested financial support from the European Union, the European Central Bank or the International Monetary Fund, registered in financial assets portfolio:

(Thousand of Euros)

Issuer / Portfolio	Book value	Fair value	Average interest rate %	Average maturity years	Fair value Measurement levels
2016					
GREECE					
Financial assets held for trading	**384**	**384**	**0.00%**	**-**	**1**
MOZAMBIQUE					
Financial assets available for sale	**126,395**	**126,395**	**23.46%**	**1.5**	**2 and 3(*)**
Financial assets held to maturity	**101,391**	**100,806**	**10.23%**	**1.8**	**3**
	228,170	**227,585**			
2015					
GREECE					
Financial assets held for trading	259	259	0.00%	-	1
MOZAMBIQUE					
Financial assets available for sale	472,170	472,170	8.21%	1.5	2
	472,429	472,429			

(*) Includes Euros 78,316,000 of financial assets available for sale valued at level 2 and Euros 48,078,000 valued at level 3.

As at 31 December 2016, BCP Group has also registered exposure to the Mozambican State as Loans and advances to costumers the amount of Euros 355,332,000 (31 December 2015: Euros 420,479,000) and as Guarantees and credit lines the amount of Euros 132,694,000 (31 December 2015: Euros 104,082,000). As at 31 December 2016, the BCP Group presents an indirect exposure to the Mozambican State resulting from sovereign guarantees received, in the caption Loans and advances to customers, in the amount of Euros 268,536,000.

57. TRANSFERS OF ASSETS

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore / increase the value of the companies / assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the Fund. These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the Fund. The management structure of the Fund has as main responsibilities to: (i) determine the objective of the Fund and (ii) administrate and manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund. The management structure is remunerated through management commissions charged to the Funds.

These funds (in which the Group holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the Funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Group performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Group subscribed:

- Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Funds and audited at year end;
- Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received in return as follows:

(Thousand of Euros)

	Values associated to transfers of assets			
	2016			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR [(a)]	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR [(b)]	84,112	82,566	83,212	646
FLIT-PTREL [(c)]	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund [(d)]	238,325	201,737	238,325	36,588
Fundo Recuperação FCR [(b)]	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR [(c)]	132,635	124,723	132,635	7,912
Discovery Real Estate Fund [(c)]	211,388	152,155	138,187	(13,968)
Fundo Vega FCR [(e)]	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

(Thousand of Euros)

	Values associated to transfers of assets			
	2015			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR[(a)]	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR[(b)]	84,112	82,566	83,212	646
FLIT-PTREL[(c)]	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund[(d)]	235,656	200,105	235,656	35,551
Fundo Recuperação FCR[(b)]	343,172	242,972	232,173	(10,799)
Fundo Aquarius FCR[(c)]	132,635	124,723	132,635	7,912
Discovery Real Estate Fund[(c)]	211,388	152,155	138,187	(13,968)
Fundo Vega FCR[(e)]	113,633	113,633	109,567	(4,066)
	2,002,799	1,584,372	1,610,134	25,762

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

The Income / (loss) obtained with the transfer of assets is recorded in the item Net gains / (losses) arising from trading and hedging activities – Credit sales (note 6), which amount in 2016 was an income of Euros 1,053,000 (2015: cost of Euros 4,050,000).

As at 31 December 2016, the assets received under the scope of these operations are comprised of:

(Thousand of Euros)

	2016				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,929	-	31,274	-	319,203
Impairment	(45,611)	-	(31,274)	-	(76,885)
	242,318	-	-	-	242,318
Fundo Reestruturação Empresarial FCR					
Gross value	84,112	-	-	-	84,112
Impairment	(5,463)	-	-	-	(5,463)
	78,649	-	-	-	78,649
FLIT-PTREL					
Gross value	299,479	-	38,155	2,939	340,573
Impairment	(4,713)	-	(38,155)	(2,939)	(45,807)
	294,766	-	-	-	294,766
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(173,799)	(36,292)	-	-	(210,091)
	29,373	-	-	-	29,373
Fundo Recuperação FCR					
Gross value	215,996	-	77,085	-	293,081
Impairment	(70,698)	-	(77,085)	-	(147,783)
	145,298	-	-	-	145,298
Fundo Aquarius FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(8,967)	-	-	-	(8,967)
	127,144	-	-	-	127,144
Discovery Real Estate Fund					
Gross value	151,086	-	-	-	151,086
Impairment	-	-	-	-	-
	151,086	-	-	-	151,086
Fundo Vega FCR					
Gross value	44,848	-	66,950	-	111,798
Impairment	-	-	(66,950)	-	(66,950)
	44,848	-	-	-	44,848
Total gross value	1,422,733	36,292	213,464	2,939	1,675,428
Total impairment	(309,251)	(36,292)	(213,464)	(2,939)	(561,946)
TOTAL	1,113,482	-	-	-	1,113,482

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in 2016 amounted to Euros 224,234,000 (2015: Euros 25,246,000), of which Euros 218,381,000 are recorded in Other financial assets impairment (note 13) and Euros 5,853,000 in Other assets impairment (note 32).

As at 31 December 2015, the assets received under the scope of these operations are comprised of:

(Thousand of Euros)

	2015				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
Fundo Recuperação Turismo FCR					
Gross value	287,929	-	30,808	-	318,737
Impairment	(34,431)	-	(30,808)	-	(65,239)
	253,498	-	-	-	253,498
Fundo Reestruturação Empresarial FCR					
Gross value	83,319	-	-	-	83,319
Impairment	(1,214)	-	-	-	(1,214)
	82,105	-	-	-	82,105
FLIT-PTREL					
Gross value	297,850	-	38,155	2,939	338,944
Impairment	(2,862)	-	(38,155)	(2,939)	(43,956)
	294,988	-	-	-	294,988
Vallis Construction Sector Fund					
Gross value	228,765	35,441	-	-	264,206
Impairment	-	(35,441)	-	-	(35,441)
	228,765	-	-	-	228,765
Fundo Recuperação FCR					
Gross value	222,737	-	75,130	-	297,867
Impairment	(54,848)	-	(75,130)	-	(129,978)
	167,889	-	-	-	167,889
Fundo Aquarius FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(1,944)	-	-	-	(1,944)
	134,167	-	-	-	134,167
Discovery Real Estate Fund					
Gross value	145,624	-	-	-	145,624
Impairment	(940)	-	-	-	(940)
	144,684	-	-	-	144,684
Fundo Vega FCR					
Gross value	46,067	-	63,518	-	109,585
Impairment	-	-	(63,518)	-	(63,518)
	46,067	-	-	-	46,067
Total gross value	1,448,402	35,441	207,611	2,939	1,694,393
Total impairment	(96,239)	(35,441)	(207,611)	(2,939)	(342,230)
TOTAL	1,352,163	-	-	-	1,352,163

Additionally are booked in loans and advances to customer's portfolio, financing operations associated with the following transfers of assets:

(Thousand of Euros)

	2016			2015		
	Loans	**Impairment**	**Net value**	Loans	Impairment	Net value
Fundo Reestruturação Empresarial FCR	**857**	**-**	**857**	958	-	958
FLIT-PTREL	**4,203**	**(10)**	**4,193**	4,539	(41)	4,498
Fundo Recuperação FCR	**49,372**	**(14,373)**	**34,999**	48,953	(14,802)	34,151
Vallis Construction Sector Fund	**249,362**	**(31,322)**	**218,040**	215,029	(1,379)	213,650
Fundo Aquarius FCR	**3,962**	**-**	**3,962**	3,962	-	3,962
Discovery Real Estate Fund	**15,376**	**(38)**	**15,338**	12,255	(56)	12,199
Fundo Vega FCR	**5,732**	**(5)**	**5,727**	1,119	(1)	1,118
	328,864	**(45,748)**	**283,116**	286,815	(16,279)	270,536

58. DISCONTINUED OR DISCONTINUING OPERATIONS

Banco Comercial Português, S.A agreed to carry out a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, for that reason, that entity has been considered as a discontinued operation since 31 March 2016.

In this context, the Group restated the consolidated financial statements and consolidated statement of comprehensive income for the period between 1 January and 31 December 2015, under the provisions of Reporting International Standard Financial 5 – Non-current assets held for sale and discontinued operations (IFRS 5). As at 31 December 2015, the total assets and liabilities of this subsidiary were recognized in the consolidated balance sheet in the respective lines while costs and income for the year with reference to December 2016 and 2015 were presented on a separated line named Income / (loss) from discontinued operations. After the completion of the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were derecognized from the balance sheet, and the interest held in Banco Millennium Atlântico, S.A. was registered as an associated company, as described in note 26.

This restatement resulted in changes in the way the contribution of the activity of Banco Millennium Angola, S.A. in 2015 is presented in that statement, and had no impact on consolidated net income / (loss) neither on consolidated comprehensive income of the Bank for the year ended 31 December 2015. In terms of the consolidated balance sheet, the relief from the assets and liabilities has not been changed.

As provided in point a) of IFRS 5 paragraph 33, the net cash-flow attributable to operating activities, investing and financing activities of discontinued operations should be disclosed not being however mandatory for groups of assets held for sale that are newly acquired subsidiaries that meet the criteria for classification as held for sale on acquisition.

Following the completion of the merger, the Group has no longer the control over the Banco Millennium Angola, and now holds significant influence over the new entity, Banco Millennium Atlântico S.A., of 22.5% of its share capital. In this context, the Group valued its investment in the associated company Banco Millennium Atlântico, S.A at fair value.

The fair value of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash-flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted to reflect the change in the local currency rate since the end of the year until that date and the date of opening balance, and the difference between the estimate of the combined Net Asset Value (which was based on the information available at the date of the fair value estimation) and the corresponding estimate in the Business Plan underlying the merger projection.

Additionally, the discretionary adjustment considered at the end of 2015 was kept, although to a lesser extent (-10% instead of -30%), in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main effects are recognized in the consolidated financial statements associated to this operation were as follows:
– Positive impact on net income / (loss) for the period of Euros 7,328,000;
– Positive impact on equity, excluding net income / (loss) for the period, amounting to Euros 76,835,000, following the valuation at fair value of the shareholding in the new entity.

The negative foreign exchange reserves of Euros 78,554,000 was annulled and recorded in Net income / (loss) for the period, not implying net impact on equity.

After 30 April 2016, the equity method has been applied to the shareholding held in Banco Millennium Atlântico, S.A. and the contribution to the consolidated net income / (loss) for the period of the Group and to the equity, amounted to Euros 13,306,000 and Euros 9,967,000, respectively (note 26).

As at 31 December 2016, shareholding held in Banco Millennium Atlântico, S.A amounts to Euros 228,412,000, including Euros 102,921,000 related to goodwill, as described in note 26.

The balance as at 31 December 2015 of Banco Millennium Angola, S.A is as follows:

(Thousand of Euros)

	2015
Cash and deposits at Central Banks and credit institutions	547,806
Loans and advances to credit institutions	44,676
Loans and advances to customers	947,863
Securities and trading derivatives	610,410
Other assets	192,909
TOTAL ASSETS	2,343,664
Resources from other credit institutions	215,637
Resources from customers	1,691,726
Financial liabilities held for trading	133
Provisions	3,408
Other liabilities	96,969
TOTAL LIABILITIES	2,007,873
Share capital	27,202
Share premium	48,372
Reserves and retained earnings	260,217
TOTAL EQUITY	335,791
TOTAL EQUITY AND LIABILITIES	2,343,664

The main items of the income statement, related to this discontinued operation, are analysed as follows :

(Thousand of Euros)

	2016			2015		
	Banco Millennium Angola	**Others**	**Total**	Banco Millennium Angola	Others	Total
Net interest income	**37,690**	**-**	**37,690**	110,975	-	110,975
Net fees and commissions income	**8,777**	**-**	**8,777**	32,607	-	32,607
Net gains on trading	**26,962**	**-**	**26,962**	58,325	-	58,325
Other operating income	**(328)**	**(533)**	**(861)**	(1,704)	(2,319)	(4,023)
TOTAL OPERATING INCOME	**73,101**	**(533)**	**72,568**	200,203	(2,319)	197,884
Staff costs	**12,020**	**-**	**12,020**	42,140	-	42,140
Other administrative costs	**11,129**	**(533)**	**10,596**	36,566	(2,319)	34,247
Depreciation	**3,009**	**-**	**3,009**	12,545	-	12,545
TOTAL OPERATING EXPENSE	**26,158**	**(533)**	**25,625**	91,251	(2,319)	88,932
Loans and other assets impairment and other provisions	**(5,023)**	**-**	**(5,023)**	(16,430)	-	(16,430)
NET OPERATING INCOME / (LOSS)	**41,920**	**-**	**41,920**	92,522	-	92,522
Net gain from the sale of subsidiaries and other assets	**14**	**-**	**14**	1,868	-	1,868
NET INCOME / (LOSS) BEFORE INCOME TAX	**41,934**	**-**	**41,934**	94,390	-	94,390
Income tax	**(5,128)**	**-**	**(5,128)**	(18,711)	-	(18,711)
NET INCOME / (LOSS) FOR THE YEAR (NOTE 17)	**36,806**	**-**	**36,806**	75,679	-	75,679

59. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS GROUP

As at 31 December 2016 the Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% economic interests	% effective held	% direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	–
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	–
BIM – Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,349	EUR	Financial	100.0	34.1	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
Millennium BCP – Escritório de Representações e Serviços, Ltda	São Paulo	52,270,768	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital – Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
Enerparcela – Empreendimentos Imobiliários, S.A.	Oeiras	37,200,000	EUR	Real-estate management	100.0	100.0	–
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investmente fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamora – Investimentos Imobiliários, S.A.	Oeiras	11,337,399	EUR	Real-estate management	100.0	100.0	–
Monumental Residence – Investimentos Imobiliários, S.A.	Funchal	50,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp – Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	93.7	93.5	83.2
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext Services	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage Services	100.0	50.1	–
Millennium Goodie Sp.z.o.o.	Warsaw	500,000	PLN	Consulting and services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–

(continues)

(continuation)

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millennium TFI – Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real estate management	99.9	99.9	99.9
MULTI 24 – Sociedade Imobiliária, SA	Lisbon	44,919,000	EUR	Real estate management	100.0	100.0	–
Propaço – Sociedade Imobiliária de Paço D'Arcos, Lda	Lisbon	5,000	EUR	Real estate company	52.7	52.7	52.7
Servitrust – Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Setelote – Aldeamentos Turísticos S.A.(*)	Cascais	200,000	EUR	Real estate company	100.0	100.0	100.0
Irgossai – Urbanização e construção, S.A.(*)	Oeiras	50,000	EUR	Real estate company	100.0	100.0	100.0
Imábida – Imobiliária da Arrábida, S.A.(*)	Oeiras	1,750,000	EUR	Real estate company	100.0	100.0	100.0
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.(*)	Lisbon	2,150,000	EUR	Real estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.(*)	Lisbon	250,000	EUR	Real estate company	100.0	100.0	100.0
Fiparso – Sociedade Imobiliária Lda(*)	Lisbon	49,880	EUR	Real estate company	100.0	100.0	73.4

(*) Companies classified as non-current assets held for sale.

In the last quarter of 2016, the Group liquidated / dissolve the subsidiaries Bitalpart, B.V. and QPR Investimentos, S.A. and the sale of Quinta do Furão – Sociedade de Animação.

As at 31 December 2016 the investment funds included in the consolidated accounts using the full consolidation method as referred in the accounting policy presented in note 1 b) were as follows:

Subsidiary companies	Head office	Nominal value units	Currency	Acivity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Oeiras	11,718,513	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	155,507,815	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	1,866,709,500	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	1,832,593,200	EUR	Real estate Investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Fechado Gestimo	Oeiras	6,653,257	EUR	Real estate Investment fund	100.0	100.0	100.0
M Inovação – Fundo de Capital de Risco BCP Capital	Lisbon	2,425,000	EUR	Venture capital fund	60.6	60.6	60.6
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate Investment fund	100.0	100.0	100.0
Millennium Fundo de Capitalização – Fundo de Capital de Risco	Oeiras	92,950,000	EUR	Venture capital fund	100.0	100.0	100.0
Funsita – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	15,820,000	EUR	Real estate investment fund	100.0	100.0	100.0

(continues)

(continuation)

Subsidiary companies	Head office	Nominal value units	Currency	Acivity	Group % economic interests	Group % effective held	Bank % direct held
Imoport – Fundo de Investimento Imobiliário Fechado	Oeiras	16,467,338,000	EUR	Real estate investment fund	100.0	100.0	100.0
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0	100.0	100.0
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	134,023,100	EUR	Real estate investment fund	100.0	100.0	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0	100.0	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0	54.0	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	11,945,000	EUR	Real estate investment fund	100.0	100.0	100.0
MR – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,600,000	EUR	Real estate investment fund	100.0	100.0	100.0

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 31 December 2016 the BCP Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

Special Purpose Entities	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Magellan Mortgages No. 2 Limited	Dublin	40,000	EUR	Special Purpose Emities	100.0	100.0	100.0
Magellan Mortgages No. 3 Limited	Dublin	40,000	EUR	Special Purpose Emities	82.4	82.4	82.4

As at 31 December 2016 the SPEs included in the consolidated accounts under the full consolidation method are as follows:

Subsidiary companies	Head office	Share capital	Currency	Acivity	Group % economic interests	Group % effective held	Bank % direct held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM – Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

As at 31 December 2016 the Group's associated companies included in the consolidated accounts under the equity method are as follows:

					Group		Bank
Associated companies	Head office	Sharel capital	Currency	Acivity	% economic interests	% effective held	% direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	AOA	Banking	22.7	22.5	–
Banque BCP, S.A.S.	Paris	120,748,063	EUR	Banking	19.9	19.9	19.9
Banque BCP, S.A.(**)	Luxemburgo	22,250,000	EUR	Banking	3.6	3.6	–
ACT-C-Indústria de Cortiças, S.A.	Sta. Maria Feira	17,923,610	EUR	Extractive Industry	20.0	20.0	20.0
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A.(**)	Luanda	100,000,196	USD	Services	10.0	10.0	–
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Imbondeiro Development Corporation	George Town	5,000	USD	Financial Services	39.0	39.0	–
Luanda Waterfront Corporation(**)	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Mundotêxtil – Indústrias Têxteis, S.A.	Vizela	11,150,000	EUR	Textile products, except clothing	25.1	25.1	–
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	22.7	21.9	–
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	Oeiras	50,000	EUR	Advisory	25.0	25.0	25.0
UNICRE – Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	0.6
Webspectator Corporation	Delaware	950	USD	Digital advertising services	25.1	25.1	25.1

(**)Given the nature of the Group's involvement, the Board of Directors believes that the Group maintains a significant influence on these companies.

As at 31 December 2016 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Sharel capital	Currency	Acivity	% economic interests	% effective held	% direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0	49.0	–
Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

60. SUBSEQUENT EVENTS

In addition to other aspects disclosed throughout this document we highlight the following subsequent events:

Share capital increase Of Banco Comercial Português, S.A. from Euros 4,268,817,689.20 to Euros 5,600,738,053.72

The Board of Directors of Banco Comercial Português, S.A. ("BCP" or "Bank") has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value (the "Rights Offering"). The resulting number of ordinary shares will be 15,113,989,952.

The subscription price was set at Euros 0.0940 per share. Each holder of BCP's ordinary shares will receive one subscription right for each ordinary share it owns.

Further to the subscription by Chiado (Luxembourg) S.à.r.l. ("Chiado"), a member of the Fosun group, of the reserved capital increase completed on 18 November 2016 (the "Reserved Capital Increase") through which Chiado holds a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares that, if satisfied in full, will increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and / or the potential exercise of further subscription rights that may be acquired by Chiado. This order may not be withdrawn except under certain circumstances where material adverse changes have occurred (material adverse change), as long as the same circumstances have led to the termination of the Underwriting Agreement referred to below by the Joint Global Coordinators.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol has requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to 30%, but BCP has no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and / or purchase of subscription rights.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, , and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order, (the "Underwriting Agreement").

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. in the reserved share capital increase of BCP (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Mercado Regulamentado Euronext Lisbon as of 9 February 2017.

As such, the share capital of BCP from this date amounts to Euros 5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

Repayment of hybrid capital instruments

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the rights issue completed in this date.

ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS FOR 2016

INTEGRATED SOLUTIONS FOR COMPANIES

Millennium bcp has reinforced its support for Companies, with integrated solutions like the Frequent Customer for Business, which offers a broad range of advantages for a fixed monthly fee, helping Customers manage their daily lives with ease while saving money on commissions.

(Thousands of Euros)

SEPARATE INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Notes	2016	2015 (restated)
Interest and similar income	3	**1,131,067**	1,334,969
Interest expense and similar charges	3	**(410,754)**	(641,119)
NET INTEREST INCOME		**720,313**	693,850
Dividends from equity instruments	4	**215,176**	154,814
Net fees and commissions income	5	**434,333**	428,631
Net gains / (losses) arising from trading and hedging activities	6	**31,739**	48,596
Net gains / (losses) arising from financial assets available for sale	7	**95,794**	324,679
Other operating income / (costs)	8	**(11,771)**	(26,495)
TOTAL OPERATING INCOME		**1,485,584**	1,624,075
Staff costs	9	**171,869**	365,190
Other administrative costs	10	**244,325**	251,022
Amortizations	11	**24,699**	23,864
TOTAL OPERATING EXPENSES		**440,893**	640,076
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		**1,044,691**	983,999
Loans impairment	12	**(1,030,606)**	(727,019)
Other financial assets impairment	13	**(295,304)**	(96,517)
Other assets impairment	24, 25 and 29	**(211,970)**	(198,930)
Other provisions	14	**(87,572)**	(15,851)
OPERATING NET INCOME / (LOSS)		**(580,761)**	(54,318)
Gains / (losses) arising from the sale of subsidiaries and other assets	15	**167,941**	101,937
NET INCOME / (LOSS) BEFORE INCOME TAXES		**(412,820)**	47,619
Income taxes			
Current	28	**(4,854)**	(5,766)
Deferred	28	**486,982**	43,191
NET INCOME FOR THE YEAR		**69,308**	85,044
Earnings per share (in Euros)	16		
Basic		**0.056**	0.073
Diluted		**0.056**	0.073

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements

(Thousands of Euros)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Notes	2016	2015 (restated)
Net income / (loss) for the year		**69,308**	85,044
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Fair value reserves	39	**(148,078)**	(75,457)
Taxes		**43,637**	23,577
		(104,441)	(51,880)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Actuarial losses for the year			
Gross amount	44	**(299,840)**	(108,670)
Taxes		**68,841**	86,230
		(230,999)	(22,440)
Other comprehensive (loss) / income after taxes		**(335,440)**	(74,320)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**(266,132)**	10,724

See accompanying notes to the separate financial statements

(Thousands of Euros)

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2016 AND 2015 AND 1 JANUARY 2015

	Notes	2016	2015 (restated)	1 January 2015 (restated)
ASSETS				
Cash and deposits at Central Banks	17	**790,733**	539,900	532,837
Loans and advances to credit institutions				
Repayable on demand	18	**312,595**	138,155	223,937
Other loans and advances	19	**1,497,180**	791,607	1,285,458
Loans and advances to customers	20	**34,028,229**	36,385,436	38,293,561
Financial assets held for trading	21	**953,557**	999,658	1,336,286
Other financial assets held for trading at fair value through profit or loss	21	**146,664**	152,018	-
Financial assets available for sale	21	**5,959,643**	6,772,806	5,515,871
Hedging derivatives	22	**33,347**	39,264	53,157
Financial assets held to maturity	23	**409,791**	427,363	2,311,181
Investments in subsidiaries and associated companies	24	**3,464,107**	3,697,083	4,048,111
Non-current assets held for sale	25	**1,621,304**	1,256,442	1,109,939
Other tangible assets	26	**218,309**	209,685	212,873
Intangible assets	27	**14,526**	12,665	9,888
Current tax assets		**11,136**	9,953	7,454
Deferred tax assets	28	**3,050,307**	2,449,497	2,296,725
Other assets	29	**1,270,437**	1,113,297	1,197,226
TOTAL ASSETS		**53,781,865**	54,994,829	58,434,504
LIABILITIES				
Resources from credit institutions	30	**9,745,520**	8,280,004	10,721,087
Resources from customers	31	**33,957,969**	35,150,754	35,055,898
Debt securities issued	32	**2,755,844**	3,979,861	4,588,188
Financial liabilities held for trading	33	**534,483**	644,931	806,480
Hedging derivatives	22	**108,313**	40,923	28,547
Provisions	34	**223,633**	153,906	309,720
Subordinated debt	35	**1,416,033**	1,530,190	2,019,364
Current tax liabilities		**2,684**	3,276	2,917
Other liabilities	36	**585,841**	661,755	762,971
TOTAL LIABILITIES		**49,330,320**	50,445,600	54,295,172
EQUITY				
Share capital	37	**4,268,818**	4,094,235	3,706,690
Share premium	37	**16,471**	16,471	-
Other equity instruments	37	**2,922**	2,922	9,853
Legal and statutory reserves	38	**245,875**	223,270	223,270
Treasury shares		**-**	-	(1,239)
Fair value reserves	39	**(43,075)**	61,366	113,246
Reserves and retained earnings	39	**(108,774)**	65,921	87,512
Net income for the year		**69,308**	85,044	-
TOTAL EQUITY		**4,451,545**	4,549,229	4,139,332
		53,781,865	54,994,829	58,434,504

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the separate financial statements

(Thousands of Euros)

SEPARATE STATEMENTS OF CASH-FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
CASH-FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	**1,053,333**	1,151,745
Commissions received	**555,621**	558,787
Fees received from services rendered	**253,678**	66,723
Interests paid	**(384,903)**	(712,090)
Commissions paid	**(69,893)**	(176,048)
Recoveries on loans previously written off	**29,748**	25,666
Payments to suppliers and employees	**(518,331)**	(770,486)
Income taxes (paid) / received	**(16,770)**	(4,695)
	902,483	139,602
Decrease / (increase) in operating assets:		
Receivables from (loans and advances to) credit institutions	**(703,796)**	493,421
Deposits held with purpose of monetary control	**-**	27,285
Loans and advances to customers receivable	**1,182,924**	920,718
Short-term trading account securities	**21,706**	200,315
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	**(240,196)**	108,297
Deposits from credit institutions with agreed maturity date	**1,707,963**	(2,492,626)
Deposits from clients repayable on demand	**896,042**	3,452,976
Deposits from clients with agreed maturity date	**(2,071,678)**	(3,280,567)
	1,695,448	(430,579)
CASH-FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	**181,743**	499,305
Acquisition of shares in subsidiaries and associated companies	**(25,329)**	(483)
Dividends received	**215,176**	154,814
Interest income from available for sale financial assets and held to maturity assets	**107,435**	192,824
Sale of available for sale financial assets	**5,233,729**	11,832,156
Acquisition of available for sale financial assets	**(5,122,544)**	(11,354,337)
Maturity of available for sale financial assets	**347,882**	185,523
Acquisition of tangible and intangible assets	**(45,278)**	(31,511)
Sale of tangible and intangible assets	**1,253**	1,031
Decrease / (increase) in other sundry assets	**(474,929)**	(87,959)
	419,138	1,391,363

(continues)

(continuation) (Thousands of Euros)

SEPARATE STATEMENNTS OF CASH-FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	2016	2015
CASH-FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	-	358
Reimbursement of subordinated debt	(121,259)	(111,265)
Issuance of debt securities	53,160	44,497
Reimbursement of debt securities	(1,350,800)	(818,385)
Issuance of commercial paper and other securities	57,588	120,558
Reimbursement of commercial paper and other securities	(19,202)	(5,240)
Share capital increase	(174,582)	-
Increase / (decrease) in other sundry liabilities	(134,218)	(242,741)
	(1,689,313)	(1,012,218)
Net changes in cash and equivalents	425,273	(51,434)
Cash and equivalents at the beginning of the year	488,310	539,744
Deposits at Central Banks (note 17)	189,745	-
	678,055	539,744
Cash (note 17)	335,912	350,155
Deposits at Central Banks (note 17)	454,821	-
Loans and advances to credit institutions repayable on demand (note 18)	312,595	138,155
CASH AND EQUIVALENTS AT THE END OF THE YEAR	1,103,328	488,310

See accompanying notes to the separate financial statements

(Thousands of Euros)

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Share capital	Share premium	Other equity instruments	Legal and statutory reserves	Treasury stock	Fair value reserves	Reserves and retained earnings	Net income (loss) for the year	Total equity
BALANCE AS AT 31 DECEMBER 2014 (STATUTORY ACCOUNTS)	3,706,690	-	9,853	223,270	(1,239)	113,246	(491,008)	(684,424)	2,876,388
Impact of the entry into force of Notice no. 5/2015 of Bank of Portugal (note 52)	-	-	-	-	-	-	578,520	684,424	1,262,944
BALANCE AS AT 1 JANUARY 2015 (RESTATED)	3,706,690	-	9,853	223,270	(1,239)	113,246	87,512	-	4,139,332
Net income / (loss) for the year	-	-	-	-	-	-	-	85,044	85,044
Fair value reserves (note 39)	-	-	-	-	-	(51,880)	-	-	(51,880)
Actuarial losses for the year (note 44):									
Gross value	-	-	-	-	-	-	(108,670)	-	(108,670)
Taxes	-	-	-	-	-	-	86,230	-	86,230
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	(51,880)	(22,440)	85,044	10,724
Share capital increase by securities exchange (note 37)	387,545	16,471	(6,931)	-	-	-	-	-	397,085
Costs related to the share capital increase	-	-	-	-	-	-	(1,173)	-	(1,173)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	247	-	247
Treasury shares	-	-	-	-	1,239	-	1,775	-	3,014
BALANCE AS AT 31 DECEMBER 2015 (RESTATED)	4,094,235	16,471	2,922	223,270	-	61,366	65,921	85,044	4,549,229
Net income / (loss) for the year	-	-	-	-	-	-	-	69,308	69,308
Fair value reserves (note 39)	-	-	-	-	-	(104,441)	-	-	(104,441)
Actuarial losses for the year (note 44):									
Gross value	-	-	-	-	-	-	(299,840)	-	(299,840)
Taxes	-	-	-	-	-	-	68,841	-	68,841
TOTAL COMPREHENSIVE INCOME	-	-	-	-	-	(104,441)	(230,999)	69,308	(266,132)
Transfers of reserves:									
Legal reserve (note 38)	-	-	-	22,605	-	-	-	(22,605)	-
Results application	-	-	-	-	-	-	62,439	(62,439)	-
Increase in capital (note 37)	174,583	-	-	-	-	-	-	-	174,583
Regrouping of shares (note 42)	-	-	-	-	-	-	(1,048)	-	(1,048)
Costs related to the share capital increase	-	-	-	-	-	-	(6,437)	-	(6,437)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	1,350	-	1,350
BALANCE AS AT 31 DECEMBER 2016	4,268,818	16,471	2,922	245,875	-	(43,075)	(108,774)	69,308	4,451,545

See accompanying notes to the separate financial statements

1. ACCOUNTING POLICIES

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a private capital bank, established in Portugal in 1985. It started operating on 5 May 1986, and these financial statements reflect the results of the operations of the Bank, for the years ended 31 December 2016 and 2015.

Information comparability

The Bank's separate financial statements up to and including 31 December 2015 were prepared and presented in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal.

The Adjusted Accounting Standards issued by Bank of Portugal were based on the application of the International Financial Reporting Standards (IFRS) in force and adopted by the European Union, except for the matters defined in no. 2 and 3 of Notice no. 1/2005 and no. 2 of Notice no. 4/2005 of the Bank of Portugal ('NCA's'). The NCAs included the standards issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies, except for the aspects already mentioned in Notices no. 1/2005 and no. 4/2005 of the Bank of Portugal: i) valuation and provisioning of the credit granted, for which Notice no. 3/95 of the Bank of Portugal was used; (ii) benefits to employees through the establishment of a deferral period of accounting impact resulting from the transition to IAS 19 criteria; and (iii) restriction of the application of certain options provided for in IAS / IFRS.

As of 1 January 2016, following the publication of Bank of Portugal Notice no. 5/2015, of 30 December, the Bank's separate financial statements are now prepared in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union, which were already used in the preparation and presentation of its consolidated financial statements since 2005.

As a result of this change, the loan portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses, calculated in accordance with the requirements of International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), replacing the register of provisions for specific risks and for general credit risks and for country risk, in accordance with Bank of Portugal Notice no. 3/95, of 30 June. Accordingly, the Bank retrospectively applied the new policy in its financial statements (restatement), with reference to the first comparative period presented, that is, 1 January 2015. In this sense, the Separate Balance Sheet as of 1 January and 31 December 2015 and the Separate Income Statements, Separate Statements of Comprehensive Income and Separate Statements of Changes in Equity for the year ended as at 31 December 2015 were restated, as presented in more detail in note 52.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal (revoked by Notice no. 5/2015 from Bank of Portugal), the Bank's financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU') since the year 2016. IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies. The financial statements presented were approved on 10 April 2017 by the Bank's Board of Directors. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

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

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

The Bank's financial statements for the year ended 31 December 2016 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2016, as referred in note 48. The accounting policies in this note were applied consistently and are consistent with those used in the preparation of the restated financial statements of the previous period.

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

The preparation of the financial statements in accordance with IFRS requires the Board of Directors, on the advice of the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant are presented in note 1 ab).

b) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

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

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

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

(ii) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios:

- For homogeneous groups of loans that are not considered individually significant; or
- Losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

- Historical loss experience in portfolios with similar risk characteristics;
- Knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- The estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash-flows are reviewed regularly by the Bank.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Bank's recognition of losses whose identification in individual terms only occurs in future periods.

Loans and advances to customers are written-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the write-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, is effectively received. This write-off is carried out only for loans that are considered not to be recoverable and fully provided.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognized on the trade date, thus, in the date that the Bank commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short-term, namely bonds, treasury bills or shares, those which are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Net gains / (losses) arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in Financial assets held for trading and the trading derivatives with negative fair value are included in Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Bank has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Bank's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in the note Net gains / (losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and losses (Fair Value Option) may be performed whenever at least one of the following requirements is fulfilled:

– The financial assets and liabilities are managed, evaluated and reported internally at its fair value;
– The designation eliminates or significantly reduces the accounting mismatch of the transactions;
– The financial assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

Considering that the transactions carried out by the Bank in the normal course of its business are in market conditions, the financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The subsequent variations in fair value are recognised in Net gains / (losses) arising from trading and hedging activities (note 6). Accrual of interest and premium / discount (when applicable) is recognised in Net interest income according to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Bank, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves. On disposal of the financial assets available for sale or if impairment loss exists, the accumulated gains or losses recognised as fair value reserves are recognised under "Net gains / (losses) arising from available for sale financial assets" or "Impairment for other financial assets", in the income statement, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in profit and losses when the right to receive the dividends is attributed.

3) Financial assets held to maturity

The financial assets held to maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Bank has the intention and ability to maintain until the maturity of the assets and that were not included in other categories of financial assets. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, or if it is not framed in the exceptions stated by the rules, will require the Bank to reclassify the entire portfolio as Financial assets available for sale and the Bank will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables – Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Bank does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Bank recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, resources from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

(ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash-flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Bank's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there is no reversal in profit and losses).

(iii) Embedded derivatives
Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, as long as the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

6) Securitizations operations

(i) Traditional securitizations
The Bank has four residential mortgage credit securitizations operations (Magellan Mortgages No. 1, No. 2, No. 3 and No. 4) which portfolios were accounted derecognized of the separate balance of the Bank, because of the residual notes of the referred operations were sold to institutional investors and, consequently, the risks and the benefits were substantially transferred.

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sell of titularization units to a Special Purpose Entitie (SPE or SPV) with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

(ii) Synthetic securitizations
The Bank has two synthetic operations. Caravela SME No. 3, which liquidation occurred in 28 June 2013, based on a medium and long--term loans portfolio of current accounts and authorized overdrafts granted by BCP, mainly to small and medium companies.

Caravela SME No. 4 is a similar operation, initiated in 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies).

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

d) Derivatives hedge accounting

(i) Hedge accounting
The Bank designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:
- At the inception of the hedge there is formal documentation of the hedge;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- For hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash-flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

(ii) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses due to variations of interest rate risk linked to the hedge item recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash-flow hedge
In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash-flow hedges are recognised in equity – cash-flow hedge reserves in the effective part of the hedge relations. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued

on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:
– Deferred over the residual period of the hedged instrument; or
– Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash-flow hedges. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity are transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

e) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables – Loans represented by securities or to Financial assets held-to-maturity, as long as the requirement referred in the standard namely when there is some event that is uncommon and highly improbable that will occur again in the short-term, that is, the event can be classified as a rare circumstance.

The Bank adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables – Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Other financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair value option) are prohibited.

The analysis of the reclassifications is detailed in note 21 – Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale and in note 23 – Financial assets held to maturity.

f) Derecognition

The Bank derecognises financial assets when all rights to future cash-flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Bank does not maintain control over the assets.

The Bank derecognises financial liabilities when these are discharged, cancelled or extinguished.

g) Equity instruments

A financial instrument is an equity instrument only if (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity and (b) if the instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

An equity instrument, independently from its legal form, evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Bank.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

h) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Bank performs acquisition / sale of securities under reselling / repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos' / 'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as resources from customers or resources from credit institutions.

The difference between the acquisition / sale and reselling / repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

j) Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in the Bank's separate financial statements at its historical cost less any impairment losses.

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

Investments in associates

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

The existence of significant influence by the Bank 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 Bank and the investee;
- Interchange of the management team;
- Provision of essential technical information.

Impairment

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks.

k) Non-current assets held for sale and discontinued or discontinuing operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable. To be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group), and must have been initiated an active program to locate a buyer and complete the plan. In addition, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Furthermore, it should be expected that the sale to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5 and the actions required to complete the plan should indicate the changes of improbability significant in the plan or the plan was withdrawn.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

The Bank also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by external evaluation experts properly accredited, in accordance with the periodicity defined in the Bank regulation.

The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell, not subjected to depreciation. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

In accordance with IAS 17, the lease transactions are classified as financial whenever their terms transfer substantially all the risks and rewards associated with the ownership of the property to the lessee. The remaining leases are classified as operational. The classification of the leases is done according to the substance and not the form of the contract.

Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded at the beginning as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

Assets received arising from the resolution of leasing contracts and complying with the definition of assets held for sale classified in this category are measured in accordance with the accounting policy defined in note 1k).

Operational leases

At the lessee's perspective, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in Other administrative costs during the life of the contract, and neither the asset nor the liability associated with the contract is evidenced in its balance sheet.

m) Interest recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates future cash-flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash-flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:
– Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
– The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

n) Fee and commission income

Income from services and commissions are recognised according to the following criteria:
– When are earned as services are provided, are recognised in income over the period in which the service is being provided;
– When are earned on the execution of a significant act, are recognised as income when the service is completed.

Income from services and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held-to-maturity)

Financial net gains losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes gains and losses arising from the sale of available for sale financial assets and financial assets held-to-maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Bank's separate financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) Other tangible assets

Other tangible assets are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss for the period.

r) Intangible assets

Research and development expenditure

The Bank does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

The Bank accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Bank does not capitalise internal costs arising from software development.

s) Cash and equivalents

For the purposes of the cash-flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with Central Banks and loans and advances to credit institutions.

t) Offsetting

Financial assets and liabilities are offset and recognised at their net book value when: (i) the Bank has a legal right to offset the amounts recognised and transactions can be settled at their net value; and (ii) the Bank intends to settle on a net basis or perform the asset and settle the liability simultaneously. Considering the current operations of the Bank, no compensation of material amount is made. In case of reclassifications of comparative amounts, the provisions of IAS 1.41 are disclosed: a) the nature of the reclassification; b) the amount of each item (or class of items) reclassified and c) the reason for the reclassification.

u) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available for sale, for which the difference is recognised against equity.

v) Employee benefits

i) Defined benefit plans

The Bank has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group.

Until 2011, along with the benefits provided in two planes above, the Bank had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September 2006 (Complementary Plan). The Bank at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Instituto Português de Seguros, Portuguese insurance institute) formally approved this change benefit plan of the Bank with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees individual rights acquired. On that date, the Bank also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('Caixa de Abono de Família dos

Empregados Bancários') which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labor Agreement ('Acordo Colectivo de Trabalho').

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the 'Instrumento de Regulação Colectiva de Trabalho (IRCT, instrument of collective regulation of work)' of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements, namely contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions.

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the Workers' Trade Unions, " Federação dos Sindicatos Independentes da Banca"and" Federação Nacional do Sector Financeiro". The new ACT has already been published by the Ministry of Labor in Bulletin of Labor and Employment.

Regarding the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, but did not formalize until 31 December 2016 the acceptance of the amendments to the ACT and as such the Bank did not recognize in its 2016 accounts the impact of changes from ACT to employees associates of SBN.

The most relevant changes occurred in the ACT were the change in the retirement age (presumed disability) that changed from 65 years to 66 years and two months in 2016, the change in the formula for determining the employer's contribution to the SAMS and a new benefit and retirement program called the End of Career Award that replaces the Seniority Award (note 44).

These changes described above were framed by the Group as a change to the pension plan under the terms of IAS 19, as such had an impact on the present value of the liabilities with services rendered and were recognised in the income statement for the year under "Staff costs ".

The Bank's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year, and whenever there are significant market fluctuations or significant specific events, such as changes in the plan, curtailments or settlements since the last estimate. The responsibilities with past service are calculated using the Unit Credit Projected method and actuarial assumptions considered adequate (note 44).

Pension liabilities are calculated by the responsible actuary, who is certified by the Insurance Supervision Authority and Pension Fund (ASF).

The Bank's net obligation in respect of defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high--quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

Extra-fund liability refers to pension supplements allocated to various employees under the retirements negotiation processes with the aim of encouraging them to join staff reduction programs.

The income cost of interests with the pension plan is calculated, by the Bank, multiplying the net asset liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) actuarial gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained are recognised against equity under other comprehensive income.

The Bank recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of retirement.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by the Bank according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

ii) Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2016, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Banks's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees. This contribution has a mandatory character and is defined in the Collective Labor Agreement of the BCP Group, and does not have a performance criterion.

iii) Share based compensation plan

As at 31 December 2016 there are no share based compensation plans in force.

iv) Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed. This variable remuneration is charged to income statement in the period to which it relates.

w) Income taxes

The Bank is subject to the regime established by the Income Tax Code ("CIRC").

Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash--flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In 2016, a group of entities of the BCP Group adhered to the Special Regime for the Taxation of Groups of Companies ("RETGS") for the purposes of taxation of income tax.

Under the scope of taxation under this regime, the Group chose to consider that the effects of the determination of the taxable income according to RETGS are reflected in the tax calculation of each entity's fiscal year, which includes the effect on the current tax due to the use of tax loss carryforwards generated by another entity of the Group.

x) Segmental reporting

The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating segments. An operating segment is a Bank's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available.

Taking into consideration that the separate financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present separate information regarding Segmental Reporting.

y) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that a payment will be required to settle (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements and, being framed under IAS 37 whenever the possibility of an outflow of resources regarding economic benefits is not remote.

The Bank registers a contingent liability when:
(a) It is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or
(b) A present obligation that arises from past events but is not recognised because:
- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability

The contingent liabilities identified are subject to disclosure, unless the possibility of an outflow of resources incorporating economic benefits is remote.

Contingent assets

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

z) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding, excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share.

If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

aa) Insurance or reinsurance mediation services

The Banco Comercial Português is an entity authorized by the 'Autoridade de Supervisão de Seguros e Fundos de Pensões' (ASF, portuguese insurance regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law no. 144/2006, of 31 July, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance intermediation, receives commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established with the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the accrual accounting principle, so the commissions which payment occurs at different time period to which it relates are subject to registration as an amount receivable under Other Assets.

ab) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments that requires that the Board of Directors, on the advice of the Executive Committee apply judgments and make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Banks's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Board of Directors, on the advice of the Executive Committee, the Bank's reported results would differ if a different treatment was chosen. The Board of Directors, on the advice of the Executive Committee, believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

i) Impairment losses on loans and advances to customers

The Bank reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 b).

The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash-flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Bank.

ii) Income taxes

Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Bank considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation in the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation in the tax legislation.

The taxable profit or tax loss reported by the Bank can be corrected by the Portuguese tax authorities within four years, except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

iii) Non-current assets held for sale (real estate) valuation

The properties registered in the portfolio of non-current assets held for sale are subject to periodic real estate valuations, carried out by independent experts, according to the circumstances in which each property is and consistent with the disposal strategy. The preparation of these evaluations involves the use of several assumptions. Different assumptions or changes occurred in them may affect the recognised value of these assets.

iv) Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors, such as discount rate, pensions and salary growth rate, that could impact the cost and liability of the pension plan.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund is based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

v) Impairment of financial assets available for-sale

The Bank determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the volatility in the prices of the financial assets. According to the Bank's policies, 30% of depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Bank.

vi) Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash-flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results from the one's reported.

vii) Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying some of its non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale with its consequently fair value measure and not at the amortization cost. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact in profit and loss of the Bank.

viii) Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash-flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Bank.

ac) Subsequent events

Events occurring after the date of the statement of financial position that provide information on situations occurring after that date, if significant, are disclosed in the notes to the consolidated financial statements.

2. NET INTEREST INCOME AND NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these balances. This disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale and from financial assets held to maturity.

The amount of this account is comprised of:

	2016	2015 (restated)
Net interest income (note 3)	**720,313**	693,850
Net gains / (losses) from trading and hedging activities (note 6)	**31,739**	48,596
Net gains / (losses) from available for sale activities (note 7)	**95,794**	324,679
	847,846	1,067,125

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
INTEREST AND SIMILAR INCOME		
Interest on loans	**961,118**	1,130,705
Interest on trading securities	**5,195**	7,419
Interest on other financial assets valued at fair value through profit and loss account	**3,688**	6,061
Interest on available for sale financial assets	**94,778**	112,650
Interest on held to maturity financial assets	**9,036**	29,929
Interest on hedging derivatives	**20,127**	21,872
Interest on derivatives associated to financial instruments at fair value through profit and loss account	**17,173**	15,275
Interest on deposits and other investments	**19,952**	11,058
	1,131,067	1,334,969
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on deposits and other resources	**158,430**	326,910
Interest on securities issued	**127,814**	178,295
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	**65,525**	65,352
Others	**40,405**	48,431
Interest on hedging derivatives	**7,162**	4,345
Interest on derivatives associated to financial instruments at fair value through profit and loss account	**11,418**	17,786
	410,754	641,119
	720,313	693,850

The balance Interest on loans includes the amount of Euros 39,747,000 (31 December 2015: Euros 50,453,000) related to commissions and other gain which are accounted for in accordance with the effective interest method, as referred in the accounting policy described in note 1m).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 60,652,000 (31 December 2015: Euros 87,572,000) related to commissions and other losses which are accounted according to the effective interest method, as referred in the accounting policy described in note 1m).

The balance Net interest income includes the amount of Euros 110,511,000 (31 December 2015: Euros 153,910,000) related with interest income arising from customers with signs of impairment.

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
Dividends from financial assets available for sale	**7,387**	9,047
Dividends from subsidiaries and associated companies	**207,789**	145,767
	215,176	154,814

The balance Dividends from financial assets available for sale include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, as of 31 December 2016, the amounts of Euros 32,157,000 (31 December 2015: Euros 32,157,000), Euros 132,728,000 and Euros 23,400,000 related to the distribution of dividends from the company BCP Investment B.V and Banco de Investimento Imobiliário, S.A., respectively.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
FEES AND COMMISSIONS RECEIVED		
From guarantees	**55,503**	58,718
From credit and commitments	**3,815**	2,938
From banking services	**268,431**	278,808
From securities operations	**59,822**	58,684
From management and maintenance of accounts	**90,481**	84,247
From other services	**34,663**	27,278
	512,715	510,673
FEES AND COMMISSIONS PAID		
From guarantees	**7,744**	6,385
From banking services	**45,519**	51,656
From securities operations	**7,599**	7,700
From other services	**17,520**	16,301
	78,382	82,042
	434,333	428,631

The balance Fees and commissions received – From banking services includes the amount of Euros 76,450,000 (31 December 2015: Euros 74,881,000) related to insurance mediation commissions, as referred in note 45 c).

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
GAINS ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**295,001**	399,330
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	**1,361**	664
Variable income	**191**	21
Certificates and structured securities issued	**43,511**	53,908
Derivatives associated to financial instruments at fair value through profit and loss	**40,110**	50,192
Other financial instruments derivatives	**441,747**	596,042
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	**-**	29
Other financial instruments	**4,217**	8,351
Repurchase of own issues	**3,593**	40,826
Hedging accounting		
Hedging derivatives	**129,819**	84,441
Hedged item	**106,240**	19,837
Credit sales	**38,624**	4,612
Other activity	**1,807**	48,171
	1,106,221	1,306,424
LOSSES ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**271,316**	402,085
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	**1,865**	4,887
Variable income	**1**	799
Certificates and structured securities issued	**62,095**	57,648
Derivatives associated to financial instruments at fair value through profit and loss	**33,387**	53,467
Other financial instruments derivatives	**425,013**	606,487
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	**5,362**	734
Other financial instruments	**7,417**	4,652
Repurchase of own issues	**5,340**	3,755
Hedging accounting		
Hedging derivatives	**201,733**	99,730
Hedged item	**21,433**	7,032
Credit sales	**37,294**	13,924
Other activity	**2,226**	2,628
	1,074,482	1,257,828
	31,739	48,596

The balance Net gains arising from trading and hedging activities includes, as at 31 December 2016, for Deposits from customers – Deposits at fair value through profit and loss, a gain of Euros 3,239,000 (31 December 2015: loss of Euros 1,302,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 31.

This balance also includes, as at 31 December 2016, for Debt securities at fair value through profit and loss, a loss of Euros 1,348,000 (31 December 2015: loss of Euros 6,342,000) as referred in note 32, and for derivatives liabilities associated to financial instruments a gain of Euros 597,000 (31 December 2015: loss of Euros 8,491,000), related to the fair value changes arising from changes in own credit risk (spread).

The caption Transactions with financial instruments measured at fair value through profit and loss – Other financial instruments measured at fair value through profit and loss, did not present any material impact on differences in the initial recognition between fair value and transaction price of financial assets or financial liabilities at fair value through profit and loss (IAS 39 paragraphs 43A and AG76 and IFRS 7.28).

The balance Gains arising from trading and hedging activities – Repurchase of own issues included, as at 31 December 2015, a gain of Euros 34,420,000 arising from the exchange offer of subordinated securities for shares.

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 c).

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
GAINS ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**59,742**	354,604
Variable income	**41,168**	12,328
LOSSES ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**(2,710)**	(41,573)
Variable income	**(2,406)**	(680)
	95,794	324,679

The balance Gains arising from financial assets available for sale – Fixed income – includes, in 2016, the amount of Euros 10,824,000 (2015: Euros 345,811,000) related to gains resulting from the sale of Portuguese Treasury bonds.

On 21 June 2016, it was completed the purchase of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as a key member of Visa Europe Ltd benefited from this transaction, which resulted in the receipt for the sale of shareholdings in Visa Europe Ltd to Visa Inc., an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and a deferred payment to three years.

As at 31 December 2016, the balance Gains arising from financial assets available for sale – Variable income includes the amount of Euros 26,353,000 related to gains arising from the sale of the investment held in Visa Europe.

8. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
OPERATING INCOME		
Income from services	**24,983**	31,758
Cheques and others	**11,119**	11,492
Gains on leasing operations	**8,509**	2,857
Rents	**1,193**	1,647
Other operating income	**16,756**	13,213
	62,560	60,967
OPERATING COSTS		
Indirect taxes	**11,347**	9,651
Donations and contributions	**3,369**	2,996
Contribution over the banking sector	**22,235**	22,053
Contribution for the Resolution Fund	**5,204**	5,777
Contribution for the Single Resolution Fund	**20,306**	30,843
Contribution for the Deposit Guarantee Fund	**104**	1,272
Other operating expenses	**11,766**	14,870
	74,331	87,462
	(11,771)	(26,495)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law no. 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile. The period contributions focus on the liabilities of the member credit institutions, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) no. 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of every year.

In May 2016, the Bank delivered the amount of Euros 20,306,000 to the Single Resolution Fund. The total value of the contribution attributable to the Bank amounted to Euros 23,955,000 and the Bank opted to constitute an irrevocable payment commitment by the difference, as defined by the Single Council resolution in accordance with the methodology set out in Delegated Regulation (EU) No 2015/63 of the Commission of 21 October 2014 and with the conditions laid down in the Implementing Regulation (EU) 2015/81 of the Council of 19 December 2014.

9. STAFF COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
Salaries and remunerations	**253.379**	260.472
Mandatory social security charges		
Post-employment benefits (note 44)		
Service cost	**(761)**	(1,918)
Net interest cost / (income) in the liability coverage balance	**4,467**	5,706
Cost / (income) with early retirement programs	**3,049**	-
Changes occurred in the collective labour agreement (ACT)	**(168,871)**	-
	(162,116)	3,788
Other mandatory social security charges	**72,110**	74,650
	(90,006)	78,438
Voluntary social security changes	**15,135**	22,372
Seniority premium (note 44)	**(18,764)**	2,208
Other staff costs	**12,125**	1,700
	171,869	365,190

The caption Post-employment benefits – Changes occurred in the collective labour agreement (ACT) results from the revision of the Collective Labour Agreement (ACT) concluded at the end of December 2016, between the BCP Group and two of the unions representing the group's employees, which introduced changes in the Social Security chapter and consequently in the pension plan financed by the BCP Group Pension Fund, as described in accounting policy 1 v) and note 44. Under the context of the amendments to the ACT, there were also changes in the benefit related to the seniority bonus which was replaced by the End of career premium (note 44).

The fixed remunerations and social charges paid to members of the Board of Directors and Key management elements are analysed as follows:

(Thousands of Euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016	2015 (restated)	2016	2015 (restated)	2016	2015 (restated)
Remunerations	**1,922**	2,073	**526**	578	**5,260**	5,394
Supplementary retirement pension	**702**	1,205	**-**	-	**-**	-
Pension Fund	**28**	19	**-**	-	**51**	61
Other mandatory social security charges	**484**	531	**124**	137	**1,466**	1,479
Seniority premium	**-**	44	**-**	-	**211**	143
	3,136	3,872	**650**	715	**6,988**	7,077

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, in the later case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the 2016, were paid to one key management member, a severance payment of Euros 483,000 (2015: Euros 4,729,000 paid to four members).

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2016	2015 (restated)
Top Management	**982**	1,006
Intermediary Management	**1,686**	1,685
Specific / Technical functions	**2,878**	2,868
Other functions	**1,710**	1,866
	7,256	7,425

10. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
Outsourcing	**97,260**	97,304
Rents	**29,344**	31,690
Other specialised services	**15,481**	14,933
Communications	**14,371**	14,848
Information technology services	**13,074**	12,361
Maintenance and related services	**10,267**	11,825
Water, electricity and fuel	**10,706**	11,565
Advertising	**10,366**	11,476
Advisory services	**11,130**	10,247
Transportation	**6,818**	6,753
Legal expenses	**5,491**	5,614
Travel, hotel and representation costs	**4,309**	4,538
Insurance	**3,336**	3,541
Consumables	**2,523**	2,848
Credit cards and mortgage	**1,547**	1,941
Training costs	**751**	1,010
Other supplies and services	**7,551**	8,528
	244,325	251,022

The caption Rents includes the amount of Euros 27,637,000 (2015: Euros 28,783,000) related to rents paid regarding buildings used by the Bank as lessee.

In accordance with accounting policy 1 l), under IAS 17, the Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of Euros)

	2016			2015 (restated)		
	Properties	**Vehicles**	**Total**	Properties	Vehicles	Total
Until 1 year	**17,926**	**483**	**18,409**	18,289	1,258	19,547
1 to 5 years	**8,575**	**366**	**8,941**	6,420	915	7,335
Over 5 years	**5,174**	**-**	**5,174**	6,536	18	6,554
	31,675	**849**	**32,524**	31,245	2,191	33,436

The item Other specialised services includes fees for services rendered by the Statutory Auditor of the Bank and by companies in its network as part of its statutory audit functions, as well as other services, taking into account the start date of functions on 2 May 2016, as follows:

(Thousands of Euros)

	2016	2015 (restated)
Auditing services		
Legal certification	**1,685**	1,600
Other assurance services	**833**	1,068
Other services	**470**	684
	2,988	3,352

In 2016 includes Euros 2,493,000 for services rendered by Deloitte & Associados, SROC S.A. to the Bank, taking into account the date of beginning of functions on 2 May 2016.

In addition to the above amounts, between January and April 2016, fees were recorded for KPMG for services provided in the amount of Euros 606,000, including Euros 271,000 of audit services.

11. AMORTIZATION OF THE YEAR

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
INTANGIBLE ASSETS (NOTE 27):		
Software	**5,482**	5,829
Other intangible assets	**5**	31
	5,487	5,860
PROPERTY, PLANT AND EQUIPMENT (NOTE 26):		
Properties	**9,436**	10,392
Equipment		
Furniture	**1,021**	904
Machinery	**182**	138
Computer equipment	**4,396**	3,257
Interior installations	**852**	772
Motor vehicles	**2,185**	1,462
Security equipment	**1,130**	1,058
Other equipment	**10**	21
	19,212	18,004
	24,699	23,864

12. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
LOANS AND ADVANCES TO CUSTOMERS:		
Impairment charge for the year	1,093,810	861,876
Write-back for the year	(33,456)	(109,180)
Recovery of loans and interest charged-off (note 20)	(29,748)	(25,677)
	1,030,606	727,019

The balance Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 b).

13. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE		
Charge for the year (note 21)	295,304	96,517

The balance Impairment of financial assets available for sale – Charge for the year includes the impairment losses on shares and on participation units held by the Bank in the amount of Euros 256,120,000 (31 December 2015: Euros 60,810,000). This amount includes Euros 218,381,000 (31 December 2015: Euros 18,647,000) related to impairment losses on investments held in restructuring funds, as described in note 51.

14. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
PROVISION FOR GUARANTEES AND OTHER COMMITMENTS (NOTE 34)		
Charge for the year	52,673	-
Write-back for the year	-	(13,472)
OTHER PROVISIONS FOR LIABILITIES AND CHARGES (NOTE 34)		
Charge for the year	46,169	29,323
Write-back for the year	(11,270)	-
	87,572	15,851

15. GAINS / (LOSSES) ARISING FROM THE SALE OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousands of Euros)

	2016	2015 (restated)
Sale of subsidiaries	159,246	98,258
Sale of other assets	8,695	3,679
	167,941	101,937

The balance Sale of subsidiaries corresponds in 2016 to the gains generated on the sale to Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda., in the amount of Euros 85,215,000 resulting from the sale of the entire capital held by the Bank on SIBS, S.G.P.S., S.A. and the amount of Euros 72,553,000 resulting from the sale of 31.16% of the share capital of UNICRE – Instituição Financeira de Crédito, S.A.

The balance Sale of subsidiaries includes also in 2016, a gain in the amount of Euros 457,000 from the sale of the whole investment held by the Bank in Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda., as well the amount of, Euros 1,092,000 from the price adjustment regarding the sale, in 2015, of the wole investment held by the Bank in Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de investimento, S.A.

The balance Sale of subsidiaries corresponds in 2015 to the gain generated on the sale of 15.41% of the share capital held by the Bank in Bank Millennium, S.A. (Poland) and to the gain generated on the sale of the whole investment held by the Bank in Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

The balance Sale of other assets corresponds to the gains and losses arising from the sale and revaluation of assets held by the Bank and classified as non-current assets held for sale.

16. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of Euros)

	2016	2015 (restated)
NET INCOME / (LOSS) FOR THE YEAR	69,308	85,044
Adjusted net income / (loss)	69,308	85,044
Average number of shares	1,231,541,411	1,161,888,689
Basic earnings per share (Euros)	0.056	0.073
Diluted earnings per share (Euros)	0.056	0.073

The Bank's share capital, as at 31 December 2016, amounts to Euros 4,268,817,689.20 and is represented by 944,624,372 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

During 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

As referred in note 42, in November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

As referred in note 54, the Board of Directors of BCP has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value. The resulting number of ordinary shares will be 15,113,989,952, with a price of Euros 0.0940 per share.

According with the International Accounting Standard 33, the average number of shares in 2016 took into consideration the capital increase by the subscription of new shares occurred in 2017. The average number of shares in 2015 was adjusted retrospectively by both the capital increase carried out in 2017 and the reverse stock split and the increase in private subscription capital, both made in 2016.

As at 31 December 2016 and 2015 there were not considered in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), as the conversion value of the shares to be issued is not defined in accordance with the decree 150-A/2012 of 17 May which will be the basis for determining this effect. It should be noted that on 9 February 2017, BCP has reimbursed the Portuguese State in advance of the remaining amount of these instruments (Euros 700 million).

There were not identified another dilution effects of the earnings per share as at 31 December 2016 and 2015, so the diluted result is equivalent to the basic result.

17. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Cash	335,912	350,155
Central Banks	454,821	189,745
	790,733	539,900

The balance Central Banks includes deposits with Central Banks in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

In 2016, the Bank began to consider cash and deposits in Central Banks as cash and cash equivalents in the Separate Statement of Cash-flows.

18. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Credit institutions in Portugal	349	483
Credit institutions abroad	97,661	42,114
Amounts due for collection	214,585	95,558
	312,595	138,155

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions. These balances are settled in the first days of the following month.

19. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Other loans and advances to credit institutions in Portugal		
Loans	15,586	3,500
Purchase transactions with resale agreement	848,044	-
Subordinated applications	85,014	85,016
Other applications	5,881	858
	954,525	89,374
Other loans and advances to credit institutions abroad		
Very short-term applications	180,347	194,808
Short-term applications	67,371	107,114
Loans	-	34,235
Other applications	294,438	366,076
	542,156	702,233
	1,496,681	791,607
Overdue loans – over 90 days	499	-
	1,497,180	791,607

The caption Other loans and advances to credit institutions - Purchase transactions with resale agreement refers in its entirety to operations with Banco de Investimento Imobiliário, S.A.

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

(Thousands of Euros)

	2016	2015 (restated)
Other loans and advances to credit institutions in Portugal		
Other applications	2,840	-
Other loans and advances to credit institutions abroad		
Other applications	275,180	325,020
	278,020	325,020

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative.

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	2016	2015 (restated)
Up to 3 months	529,922	651,669
3 to 6 months	55,076	4,988
6 to 12 months	1,654	24,032
1 to 5 years	895,029	95,672
Over 5 years	15,000	15,246
Undetermined	499	-
	1,497,180	791,607

20. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Public sector	807,373	1,064,563
Asset-backed loans	19,963,817	20,860,262
Personal guaranteed loans	3,191,180	7,053,471
Unsecured loans	4,823,757	1,309,669
Foreign loans	1,802,950	2,181,609
Factoring	1,364,174	1,062,903
Finance leases	2,175,169	2,179,201
	34,128,420	35,711,678
Overdue loans – less than 90 days	78,030	52,494
Overdue loans – over 90 days	3,066,124	3,497,502
	37,272,574	39,261,674
Impairment for credit risk	(3,244,345)	(2,876,238)
	34,028,229	36,385,436

In the context of the continuous improvement of the disclosures presented in the appendix to the financial statements, the credit presentation criteria by type were revised in 2016 to ensure greater consistency with the information used by the Bank in credit risk management.

As at 31 December 2016, the balance Loans and advances to customers includes the amount of Euros 11,014,051,000 (31 December 2015: Euros 11,678,762,000) regarding mortgage loans which are allocated as a collateral for asset-back securities, issued by the Bank.

As referred in note 46, the Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank, which include loans and advances to customers.

As at 31 December 2016 and as referred in note 51, the Bank performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,586,114,000 (31 December 2015: Euros: 1,584,372,000). During 2016, the loans sold amounted to Euros 1,742,000.

As referred in note 45, the Bank provides loans to shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report.

As at 31 December 2016, the Bank granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 215,794,000 (31 December 2015: Euros 63,536,000), as referred in note 45 a). The amount of impairment recognised for these contracts amounts to Euros 111,000 as at 31 December 2016 (31 December 2015: Euros 63,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

There are credits for which the Bank does not have a recovery perspective in an economic logic, with impairment constituted at 100%, which are presented under Loans and advances to customers, net of the related impairment.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
LOANS NOT REPRESENTED BY SECURITIES		
Discounted bills	**263,819**	260,281
Current account credits	**1,509,486**	1,793,438
Overdrafts	**556,618**	771,183
Loans	**10,289,855**	11,047,732
Mortgage loans	**15,902,519**	16,627,514
Factoring	**1,364,174**	1,062,903
Finance leases	**2,175,169**	2,179,201
	32,061,640	33,742,252
LOANS REPRESENTED BY SECURITIES		
Commercial paper	**1,843,345**	1,655,569
Bonds	**223,435**	313,857
	2,066,780	1,969,426
	34,128,420	35,711,678
Overdue loans – less than 90 days	**78,030**	52,494
Overdue loans – over 90 days	**3,066,124**	3,497,502
	37,272,574	39,261,674
Impairment for credit risk	**(3,244,345)**	(2,876,238)
	34,028,229	36,385,436

The analysis of loans and advances to customers by sector of activity is as follows:

	2016		2015 (restated)	
	Euros '000	%	Euros '000	%
Agriculture and forestry	268,193	0.72%	283,755	0.72%
Fisheries	40,312	0.11%	42,142	0.11%
Mining	57,176	0.15%	47,348	0.12%
Food, beverage and tobacco	399,728	1.07%	325,686	0.83%
Textiles	446,544	1.20%	451,955	1.15%
Wood and cork	138,839	0.37%	160,329	0.41%
Paper, printing and publishing	169,892	0.46%	172,028	0.44%
Chemicals	546,668	1.47%	586,964	1.50%
Machinery, equipment and basic metallurgical	644,939	1.73%	594,861	1.52%
Electricity and gas	458,529	1.23%	582,753	1.48%
Water	187,063	0.50%	219,627	0.56%
Construction	2,480,510	6.66%	2,890,397	7.36%
Retail business	959,904	2.58%	915,700	2.33%
Wholesale business	1,236,201	3.32%	1,201,009	3.06%
Restaurants and hotels	914,640	2.45%	942,853	2.40%
Transports	930,210	2.50%	1,010,416	2.57%
Post offices	1,938	0.01%	2,287	0.01%
Telecommunications	285,606	0.77%	295,120	0.75%
Services				
Financial intermediation	4,033,573	10.82%	4,490,597	11.44%
Real estate activities	1,288,457	3.46%	1,576,579	4.02%
Consulting, scientific and technical activities	802,602	2.15%	671,384	1.71%
Administrative and support services activities	379,598	1.02%	378,588	0.96%
Public sector	533,340	1.43%	768,979	1.96%
Education	113,392	0.30%	119,841	0.31%
Health and collective service activities	243,617	0.65%	243,016	0.62%
Artistic, sports and recreational activities	375,472	1.01%	348,378	0.89%
Other services	386,819	1.04%	397,302	1.01%
Consumer credit	2,376,484	6.38%	2,371,646	6.04%
Mortgage credit	15,807,740	42.39%	16,382,116	41.71%
Other domestic activities	7,843	0.02%	7,671	0.02%
Other international activities	756,745	2.03%	780,347	1.99%
	37,272,574	100.00%	39,261,674	100.00%
Impairment for credit risk	(3,244,345)		(2,876,238)	
	34,028,229		36,385,436	

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2016, is as follows:

(Thousands of Euros)

	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total	Overdue loans	Total
Agriculture and forestry	97,218	64,861	88,908	250,987	17,206	268,193
Fisheries	6,986	2,990	18,364	28,340	11,972	40,312
Mining	27,713	14,840	8,052	50,605	6,571	57,176
Food, beverage and tobacco	244,767	79,312	58,401	382,480	17,248	399,728
Textiles	224,013	95,811	101,112	420,936	25,608	446,544
Wood and cork	61,109	30,164	34,131	125,404	13,435	138,839
Paper, printing and publishing	52,656	58,559	49,047	160,262	9,630	169,892
Chemicals	276,027	118,890	90,943	485,860	60,808	546,668
Machinery, equipment and basic metallurgical	266,642	177,523	146,740	590,905	54,034	644,939
Electricity and gas	26,972	56,175	374,598	457,745	784	458,529
Water	47,203	21,537	114,817	183,557	3,506	187,063
Construction	779,768	162,514	808,567	1,750,849	729,661	2,480,510
Retail business	422,350	196,943	227,296	846,589	113,315	959,904
Wholesale business	600,903	295,993	202,759	1,099,655	136,546	1,236,201
Restaurants and hotels	75,530	151,227	575,749	802,506	112,134	914,640
Transports	233,360	203,758	436,623	873,741	56,469	930,210
Post offices	1,198	471	48	1,717	221	1,938
Telecommunications	80,749	36,248	62,306	179,303	106,303	285,606
Services						
Financial intermediation	1,246,340	1,052,489	1,174,636	3,473,465	560,108	4,033,573
Real estate activities	242,346	185,004	546,578	973,928	314,529	1,288,457
Consulting, scientific and technical activities	421,299	146,098	200,179	767,576	35,026	802,602
Administrative and support services activities	135,065	116,219	91,475	342,759	36,839	379,598
Public sector	70,105	30,847	431,490	532,442	898	533,340
Education	28,116	11,448	70,730	110,294	3,098	113,392
Health and collective service activities	77,483	49,969	112,000	239,452	4,165	243,617
Artistic, sports and recreational activities	73,874	21,152	265,017	360,043	15,429	375,472
Other services	28,918	296,802	51,811	377,531	9,288	386,819
Consumer credit	487,689	859,106	614,501	1,961,296	415,188	2,376,484
Mortgage credit	8,110	178,396	15,434,894	15,621,400	186,340	15,807,740
Other domestic activities	8	1	-	9	7,834	7,843
Other international activities	220,593	263,380	192,811	676,784	79,961	756,745
	6,565,110	4,978,727	22,584,583	34,128,420	3,144,154	37,272,574

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December 2016, is as follows:

(Thousands of Euros)

	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total	Overdue loans	Total
Public sector	34,027	231,131	542,215	807,373	-	807,373
Asset-backed loans	963,785	1,758,183	17,241,849	19,963,817	1,610,088	21,573,905
Personal guaranteed loans	1,364,464	970,373	856,343	3,191,180	401,332	3,592,512
Unsecured loans	2,984,512	565,906	1,273,339	4,823,757	901,276	5,725,033
Foreign loans	243,623	595,205	964,122	1,802,950	127,991	1,930,941
Factoring	934,061	386,353	43,760	1,364,174	14,987	1,379,161
Finance leases	40,638	471,576	1,662,955	2,175,169	88,480	2,263,649
	6,565,110	4,978,727	22,584,583	34,128,420	3,144,154	37,272,574

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2015, is as follows:

(Thousands of Euros)

	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total	Overdue loans	Total
Agriculture and forestry	104,969	71,072	86,698	262,739	21,016	283,755
Fisheries	8,175	4,536	27,131	39,842	2,300	42,142
Mining	23,441	8,234	5,308	36,983	10,365	47,348
Food, beverage and tobacco	182,998	69,380	59,604	311,982	13,704	325,686
Textiles	215,815	89,328	114,432	419,575	32,380	451,955
Wood and cork	66,761	33,332	43,591	143,684	16,645	160,329
Paper, printing and publishing	50,968	62,010	49,008	161,986	10,042	172,028
Chemicals	302,443	115,118	100,855	518,416	68,548	586,964
Machinery, equipment and basic metallurgical	231,151	187,947	125,738	544,836	50,025	594,861
Electricity and gas	22,908	120,631	438,872	582,411	342	582,753
Water	68,338	24,443	123,235	216,016	3,611	219,627
Construction	973,842	276,537	698,497	1,948,876	941,521	2,890,397
Retail business	344,695	208,244	219,382	772,321	143,379	915,700
Wholesale business	516,119	312,638	216,288	1,045,045	155,964	1,201,009
Restaurants and hotels	103,159	182,400	535,097	820,656	122,197	942,853
Transports	249,964	250,971	452,619	953,554	56,862	1,010,416
Post offices	535	1,495	35	2,065	222	2,287
Telecommunications	111,474	31,749	76,455	219,678	75,442	295,120
Services						
Financial intermediation	1,503,704	1,105,374	1,294,072	3,903,150	587,447	4,490,597
Real estate activities	422,617	225,756	519,436	1,167,809	408,770	1,576,579
Consulting, scientific and technical activities	203,516	221,296	190,931	615,743	55,641	671,384
Administrative and support services activities	160,049	97,365	85,571	342,985	35,603	378,588
Public sector	262,031	46,359	459,058	767,448	1,531	768,979
Education	29,840	16,921	69,761	116,522	3,319	119,841
Health and collective service activities	79,971	53,606	105,108	238,685	4,331	243,016
Artistic, sports and recreational activities	81,707	63,632	186,501	331,840	16,538	348,378
Other services	41,179	296,313	50,591	388,083	9,219	397,302
Consumer credit	530,811	768,739	585,466	1,885,016	486,630	2,371,646
Mortgage credit	7,617	169,665	16,003,810	16,181,092	201,024	16,382,116
Other domestic activities	9	9	3	21	7,650	7,671
Other international activities	210,086	169,039	393,494	772,619	7,728	780,347
	7,110,892	5,284,139	23,316,647	35,711,678	3,549,996	39,261,674

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December 2015, is as follows:

(Thousands of Euros)

	Outstanding loans					
	Due within 1 year	1 year to 5 years	Over 5 years	Total	Overdue loans	Total
Public sector	1,064,563	-	-	1,064,563	-	1,064,563
Asset-backed loans	1,782,321	3,276,165	15,801,776	20,860,262	2,088,313	22,948,575
Personal guaranteed loans	1,164,497	1,311,340	4,577,634	7,053,471	408,508	7,461,979
Unsecured loans	1,309,669	-	-	1,309,669	848,435	2,158,104
Foreign loans	706,961	289,368	1,185,280	2,181,609	60,799	2,242,408
Factoring	1,062,903	-	-	1,062,903	16,344	1,079,247
Finance leases	19,978	407,266	1,751,957	2,179,201	127,597	2,306,798
	7,110,892	5,284,139	23,316,647	35,711,678	3,549,996	39,261,674

The caption Loans and advances to customers includes the effect of synthetic securitization. The characterization of these operations is described in note 1 c) 6 ii).

The Bank has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No. 3, which liquidation occurred in 28 June 2013, based on a medium and long-term loans portfolio of current accounts and authorized overdrafts granted by the Bank, mainly to small and medium companies. The maturity date is 25 March of 2036 and as at 31 December 2016, the synthetic securitization "Caravela SME No. 3" amounts to Euros 2,431,428,000. The fair value of swaps is recorded in the amount of Euros 174,242,000 and the associated cost in 2016 amounts to Euros 6,680,000.

Caravela SME No. 4

Caravela SME No. 4 is a similar operation, initiated in 5 June 2014, which portfolio contains car, real estate and equipment leasing granted between the Bank and a group of clients that belong to the same segment (small and medium companies). The maturity date is 21 September 2043 and as at 31 December 2016, the synthetic securitization "Caravela SME No. 4" amounts to Euros 1,122,338,000. The fair value of swaps is recorded at the amount of Euros 46,623,000 and their associated cost in 2016 amounts to Euros 2,398,000.

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLNs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to all third parties the rights and obligations arising from the credits included in them, thus not meeting the criteria set out in paragraphs 16 and subsequent of IAS 39 for derecognition.

The Bank's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
TOTAL LOANS	**41,230,065**	43,393,604
LOANS AND ADVANCES TO CUSTOMERS WITH SIGNS OF IMPAIRMENT		
INDIVIDUALLY SIGNIFICANT		
Gross amount	**5,933,220**	6,716,034
Impairment	**(2,402,024)**	(1,921,937)
	3,531,196	4,794,097
COLLECTIVE ANALYSIS		
Gross amount	**3,185,068**	3,772,906
Impairment	**(908,415)**	(948,922)
	2,276,653	2,823,984
Loans and advances to customers without signs of impairment	**32,111,777**	32,904,664
Impairment (IBNR)	**(44,507)**	(63,303)
	37,875,119	40,459,442

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 37,275,574,000 (31 December 2015: Euros: 39,261,674,000) and guarantees granted and commitments to third parties balance (see note 40), in the amount of Euros 3,957,491,000 (31 December 2015: Euros 4,131,930,000).

The balances Impairment and Impairment ("IBNR") were determined in accordance with the accounting policy described in note 1 b), including the provision for guarantees and other commitments to third parties (note 34), in the amount of Euros 110,601,000 (31 December 2015: Euros 57,294,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, considering its fair value, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
LOANS AND ADVANCES TO CUSTOMERS WITH IMPAIRMENT		
INDIVIDUALLY SIGNIFICANT		
Securities and other financial assets	647,522	531,562
Residential real estate	372,749	506,818
Other real estate	1,312,548	1,413,593
Other guarantees	659,686	530,569
	2,992,505	2,982,542
COLLECTIVE ANALYSIS		
Securities and other financial assets	22,379	36,498
Residential real estate	1,524,385	1,766,838
Other real estate	284,657	380,766
Other guarantees	105,634	162,971
	1,937,055	2,347,073
LOANS AND ADVANCES TO CUSTOMERS WITHOUT IMPAIRMENT		
Securities and other financial assets	1,880,865	1,665,799
Residential real estate	14,282,689	14,756,485
Other real estate	2,643,596	2,868,087
Other guarantees	3,460,571	3,740,948
	22,267,721	23,031,319
	27,197,281	28,360,934

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Bank (note 46), the amounts presented do not include the fair value of the personal guarantees provided by clients with risk rating lower. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

Considering the risk management policy of the Group, the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Bank continued to negotiate additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of Euros)

	2016	2015 (restated)
Amount of future minimum payments	2,521,112	2,532,397
Interest not yet due	(345,944)	(353,196)
Present value	2,175,168	2,179,201

The amount of future minimum payments of lease contracts, by maturity terms, is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Up to 1 year	332,254	348,295
1 to 5 years	958,178	1,049,234
Over 5 years	1,230,680	1,134,868
	2,521,112	2,532,397

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of Euros)

	2016	2015 (restated)
INDIVIDUALS		
Home	**58,862**	61,458
Consumer	**21,506**	19,122
Others	**123,698**	127,790
	204,066	208,370
COMPANIES		
Equipment	**349,211**	261,355
Mortgage	**1,621,891**	1,709,476
	1,971,102	1,970,831
	2,175,168	2,179,201

Regarding operational leasing, the Bank does not present relevant contracts as leasor.

The loans to customers' portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforce of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of the non-performig restructured loans, by sector of activity, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Agriculture and forestry	**1,140**	1,267
Fisheries	**23**	16
Mining	**1**	19
Food, beverage and tobacco	**76**	81
Textiles	**163**	222
Wood and cork	**36**	10,079
Paper, printing and publishing	**14**	94
Chemicals	**43**	245
Machinery, equipment and basic metallurgical	**130**	-
Water	**20**	-
Construction	**2,231**	3,451
Retail business	**1,408**	924
Wholesale business	**437**	19,493
Restaurants and hotels	**612**	571
Transports	**68**	229
Telecommunications	**42**	251
Services		
Financial intermediation	**154**	196
Real estate activities	**1,761**	5,367
Consulting, scientific and technical activities	**137**	118
Administrative and support services activities	**346**	373
Public sector	**53**	264
Health and collective service activities	**12**	16
Artistic, sports and recreational activities	**128**	21
Other services	**29**	60
Consumer credit	**35,856**	40,563
Other domestic activities	**-**	26
Other international activities	**-**	126
	44,920	84,072

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash-flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 20,176,000 (31 December 2015: Euros 39,582,000).

The Bank has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

Information on operations restructured due to financial difficulties is available in the Bank's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:
– There are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
– In the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least two years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

As mentioned in note 46, as at 31 December 2016, the total restructured loan amount to Euros 4,549,028,000 (31 December 2015: Euros 4,894,877,000).

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations more than 90 days. As at 31 December 2016, the amount calculated is Euros 4,731,688,000 (31 December 2015: Euros 5,220,966,000).

The definition of Non Performing Exposure (NPE) is as follows:
a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose value of operations overdue for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 31 December 2016, the NPE amounts to Euros 8,144,407,000 (31 December 2015: Euros 9,327,853,000).

The changes occurred in impairment for credit risk are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	2,876,238	2,879,050
Transfers	714	71,820
Impairment charge for the year	1,093,810	861,876
Write-back for the year	(33,456)	(109,180)
Loans charged-off	(693,193)	(828,478)
Exchange rate differences	232	1,150
BALANCE ON 31 DECEMBER	3,244,345	2,876,238

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Agriculture and forestry	13,384	22,663
Fisheries	18,651	20,700
Mining	4,291	5,000
Food, beverage and tobacco	10,471	11,621
Textiles	25,945	24,710
Wood and cork	13,968	39,108
Paper, printing and publishing	14,062	18,572
Chemicals	51,111	49,791
Machinery, equipment and basic metallurgical	29,941	15,721
Electricity and gas	1,004	3,779
Water	9,379	14,129
Construction	540,955	257,848
Retail business	82,731	90,663
Wholesale business	105,395	122,548
Restaurants and hotels	108,601	70,408
Transports	102,854	126,055
Post offices	146	113
Telecommunications	18,568	58,956
Services		
Financial intermediation	1,048,644	1,056,745
Real estate activities	195,622	89,762
Consulting, scientific and technical activities	52,054	76,278
Administrative and support services activities	31,316	24,208
Public sector	822	5,096
Education	6,967	1,635
Health and collective service activities	4,039	4,673
Artistic, sports and recreational activities	89,430	96,456
Other services	39,688	8,731
Consumer credit	314,991	174,669
Mortgage credit	214,578	317,343
Other domestic activities	553	6,042
Other international activities	94,184	62,215
	3,244,345	2,876,238

The analysis of impairment, by type of credit, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Asset-backed loans	**2,095,608**	1,395,854
Personal guaranteed loans	**387,056**	418,360
Unsecured loans	**480,158**	824,207
Foreign loans	**138,304**	82,175
Factoring	**22,671**	25,402
Finance leases	**120,548**	130,240
	3,244,345	2,876,238

As at 31 December 2015, the impairment related to the component of Asset-backed loans and Personal guaranteed loans which is not covered by collaterals is presented in Unsecured loans.

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Agriculture and forestry	**13,127**	2,851
Fisheries	**47**	416
Mining	**4,046**	319
Food, beverage and tobacco	**1,885**	3,578
Textiles	**8,060**	10,181
Wood and cork	**14,814**	10,949
Paper, printing and publishing	**1,080**	1,870
Chemicals	**27,444**	4,568
Machinery, equipment and basic metallurgical	**6,520**	8,496
Electricity and gas	**3**	475
Water	**136**	166
Construction	**153,050**	209,843
Retail business	**47,133**	28,145
Wholesale business	**48,615**	60,142
Restaurants and hotels	**16,647**	38,279
Transports	**2,438**	5,542
Post offices	**13**	143
Telecommunications	**9,515**	176,306
Services		
Financial intermediation	**104,684**	86,573
Real estate activities	**43,327**	34,094
Consulting, scientific and technical activities	**24,314**	3,428
Administrative and support services activities	**3,354**	4,752
Public sector	**-**	5
Education	**55**	68
Health and collective service activities	**596**	2,186
Artistic, sports and recreational activities	**893**	310
Other services	**4,015**	20,629
Consumer credit	**144,754**	86,192
Mortgage credit	**11,941**	6,330
Other domestic activities	**671**	18,458
Other international activities	**16**	3,184
	693,193	828,478

In compliance with the accounting policy described in note 1 b), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Asset-backed loans	**16,254**	33,606
Personal guaranteed loans	**4,633**	19,429
Unsecured loans	**663,923**	753,980
Foreign loans	**-**	19,858
Factoring	**240**	-
Finance leases	**8,143**	1,605
	693,193	828,478

The analysis of recovered loans and interest, during 2016 and 2015, by sector of activity, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Agriculture and forestry	**12**	82
Fisheries	**3**	-
Mining	**191**	1
Food, beverage and tobacco	**206**	269
Textiles	**824**	486
Wood and cork	**334**	270
Paper, printing and publishing	**53**	9
Chemicals	**238**	315
Machinery, equipment and basic metallurgical	**395**	470
Electricity and gas	**13**	-
Water	**10**	6
Construction	**17,675**	17,209
Retail business	**829**	422
Wholesale business	**2,115**	882
Restaurants and hotels	**116**	67
Transports	**122**	70
Telecommunications	**12**	41
Services		
Financial intermediation	**57**	1,118
Real estate activities	**677**	139
Consulting, scientific and technical activities	**212**	145
Administrative and support services activities	**117**	124
Education	**1**	2
Health and collective service activities	**-**	3
Artistic, sports and recreational activities	**2,171**	19
Other services	**37**	18
Consumer credit	**3,171**	3,334
Mortgage credit	**21**	8
Other domestic activities	**136**	168
	29,748	25,677

The analysis of recovered loans and interest during 2016 and 2015, by type of credit, is as follows:

(Thousands of Euros)

	2016	2015 (restated)
Unsecured loans	**29,130**	25,566
Foreign loans	**594**	68
Finance leases	**24**	43
	29,748	25,677

21. FINANCIAL ASSETS HELD FOR TRADING, OTHER FINANCIAL ASSETS HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL ASSETS AVAILABLE FOR SALE

The balance Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale is analysed as follows

(Thousands of Euros)

	2016	2015 (restated)
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by public entities	**3,094,852**	3,294,591
Issued by other entities	**1,211,059**	1,553,649
	4,305,911	4,848,240
Overdue securities	**18,022**	4,075
Impairment for overdue securities	**(13,079)**	(4,075)
	4,310,854	4,848,240
Shares and other variable income securities	**1,922,853**	2,229,490
	6,233,707	7,077,730
Trading derivatives	**826,157**	846,752
	7,059,864	7,924,482

The balance Trading derivatives included, as at 31 December 2016, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 c) in the amount of Euros 142,000 (31 December 2015: Euros 46,000).

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2016, is analysed as follows:

(Thousands of Euros)

	2016			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	11,803	146,664	2,242,580	2,401,047
Foreign issuers	36,707	-	2,170	38,877
Bonds issued by other entities				
Portuguese issuers	8,990	-	854,866	863,856
Foreign issuers	63,503	-	301,722	365,225
Treasury bills and other Government bonds	5,642	-	649,286	654,928
	126,645	146,664	4,050,624	4,323,933
Impairment for overdue securities	-	-	(13,079)	(13,079)
	126,645	146,664	4,037,545	4,310,854
VARIABLE INCOME:				
Shares in Portuguese companies	356	-	41,507	41,863
Shares in foreign companies	-	-	6,208	6,208
Investment fund units	14	-	1,874,383	1,874,397
Other securities	385	-	-	385
	755	-	1,922,098	1,922,853
TRADING DERIVATIVES	826,157	-	-	826,157
	953,557	146,664	5,959,643	7,059,864
of which:				
Level 1	123,423	146,664	3,564,725	3,834,812
Level 2	225,923	-	429,590	655,513
Level 3	604,211	-	1,965,328	2,569,539

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 31 December 2015, is analysed as follows:

(Thousands of Euros)

	2015 (restated)			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	27,573	152,018	2,193,395	2,372,986
Foreign issuers	38,280	-	2,495	40,775
Bonds issued by other entities				
Portuguese issuers	17,007	-	1,139,881	1,156,888
Foreign issuers	69,465	-	331,371	400,836
Treasury bills and other Government bonds	-	-	880,830	880,830
	152,325	152,018	4,547,972	4,852,315
Impairment for overdue securities	-	-	(4,075)	(4,075)
	152,325	152,018	4,543,897	4,848,240
VARIABLE INCOME:				
Shares in Portuguese companies	308	-	71,097	71,405
Shares in foreign companies	1	-	18,624	18,625
Investment fund units	14	-	2,139,188	2,139,202
Other securities	258	-	-	258
	581	-	2,228,909	2,229,490
TRADING DERIVATIVES	846,752	-	-	846,752
	999,658	152,018	6,772,806	7,924,482
of which:				
Level 1	218,347	152,018	4,271,090	4,641,455
Level 2	609,055	-	184,727	793,782
Level 3	172,256	-	2,316,989	2,489,245

The trading and available for sale portfolios are recorded at fair value in accordance with the accounting policy described in note 1 c).

As referred in the accounting policy presented in note 1 c), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 31 December 2016, the fair value reserves are negative in the amount of Euros 138,490,000 (31 December 2015: positive amount of Euros 85,340,000).

As at 31 December 2016, the balances Financial assets held for trading and Financial assets available for sale include bonds issued with different levels of subordination, including the more subordinated tranche, associated with the traditional securitization transactions, referred in note 1 c) 6) i), in the amount of Euros 6,104,000 (31 December 2015: Euros 6,423,000) and Euros 120,194,000 (31 December 2015: Euros 112,464,000), respectively.

The portfolio of financial assets available for sale, as at 31 December 2016, is analysed as follows:

(Thousands of Euros)

	2016					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value reserves	Fair value hedge adjustments	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	2,406,143	-	2,406,143	(225,199)	61,636	2,242,580
Foreign issuers	2,087	-	2,087	83	-	2,170
Bonds issued by other entities						
Portuguese issuers	973,806	(130,588)	843,218	(489)	(942)	841,787
Foreign issuers	278,788	(16,459)	262,329	39,603	(210)	301,722
Treasury bills and other Government bonds	649,256	-	649,256	30	-	649,286
	4,310,080	(147,047)	4,163,033	(185,972)	60,484	4,037,545
VARIABLE INCOME:						
Shares in Portuguese companies	116,699	(86,197)	30,502	11,005	-	41,507
Shares in foreign companies	5,670	(150)	5,520	688	-	6,208
Investment fund units	2,323,126	(484,532)	1,838,594	35,789	-	1,874,383
	2,445,495	(570,879)	1,874,616	47,482	-	1,922,098
	6,755,575	(717,926)	6,037,649	(138,490)	60,484	5,959,643

The portfolio of financial assets available for sale, as at 31 December 2015, is analysed as follows:

(Thousands of Euros)

	2015 (restated)					
	Amortised cost	Impairment	Amortised cost net of impairment	Fair value reserves	Fair value hedge adjustments	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	2,265,367	-	2,265,367	(90,546)	18,574	2,193,395
Foreign issuers	2,472	-	2,472	23	-	2,495
Bonds issued by other entities						
Portuguese issuers	1,178,788	(91,193)	1,087,595	48,211	-	1,135,806
Foreign issuers	318,990	(19,719)	299,271	31,879	221	331,371
Treasury bills and other Government bonds	881,107	-	881,107	(277)	-	880,830
	4,646,724	(110,912)	4,535,812	(10,710)	18,795	4,543,897
VARIABLE INCOME:						
Shares in Portuguese companies	151,974	(85,002)	66,972	4,125	-	71,097
Shares in foreign companies	272	(150)	122	18,502	-	18,624
Investment fund units	2,322,599	(256,834)	2,065,765	73,423	-	2,139,188
	2,474,845	(341,986)	2,132,859	96,050	-	2,228,909
	7,121,569	(452,898)	6,668,671	85,340	18,795	6,772,806

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2016, by valuation levels, is analysed as follows:

(Thousands of Euros)

	2016			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	2,284,795	116,252	-	2,401,047
Foreign issuers	38,864	13	-	38,877
Bonds issued by other entities				
Portuguese issuers	639,463	179,121	45,272	863,856
Foreign issuers	197,275	137,783	30,167	365,225
Treasury bills and other Government bonds	654,928	-	-	654,928
	3,815,325	433,169	75,439	4,323,933
Impairment for overdue securities	-	-	(13,079)	(13,079)
	3,815,325	433,169	62,360	4,310,854
VARIABLE INCOME:				
Shares in Portuguese companies	19,428	-	22,435	41,863
Shares in foreign companies	-	-	6,208	6,208
Investment fund units	59	-	1,874,338	1,874,397
Other securities	-	-	385	385
	19,487	-	1,903,366	1,922,853
TRADING DERIVATIVES	-	222,344	603,813	826,157
	3,834,812	655,513	2,569,539	7,059,864

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2015, by valuation levels, is analysed as follows:

(Thousands of Euros)

	2015 (restated)			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	2,356,135	-	16,851	2,372,986
Foreign issuers	40,775	-	-	40,775
Bonds issued by other entities				
Portuguese issuers	976,997	103,949	75,942	1,156,888
Foreign issuers	291,191	80,551	29,094	400,836
Treasury bills and other Government bonds	880,830	-	-	880,830
	4,545,928	184,500	121,887	4,852,315
Impairment for overdue securities	-	-	(4,075)	(4,075)
	4,545,928	184,500	117,812	4,848,240
VARIABLE INCOME:				
Shares in Portuguese companies	24,204	1,147	46,054	71,405
Shares in foreign companies	-	322	18,303	18,625
Investment fund units	4,368	14	2,134,820	2,139,202
Other securities	258	-	-	258
	28,830	1,483	2,199,177	2,229,490
TRADING DERIVATIVES	66,697	607,799	172,256	846,752
	4,641,455	793,782	2,489,245	7,924,482

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

During 2016, reclassifications were made from level 2 to level 1 in the amount of Euros 9,822,000 (31 December 2015: Euros 93,716,000) related to securities that became complied with the requirements of this level, as described in note 43.

The variable income securities classified as level 3 includes units in restructuring funds (note 51) in the amount of Euros 1,113,482,000 (31 December 2015: Euros 1,352,163,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the management company, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of +/- 10 % of the NAV has an impact of Euros 111,348,000 (31 December 2015: Euros 135,216,000) in Equity. This impact includes the effect on Fair value reserves of Euros 41,542,000 (31 December 2015: Euros 52,992,000) and in Net income / (loss) for the year, of Euros 75,252,000 (31 December 2015: Euros 82,224,000).

In addition, as at 31 December 2016, the Investment fund units of level 3 include investments in Real-estate investment funds in the amount of Euros 635,440,000 (31 December 2015: 657,965,000), which include Euros 610,305,000 (31 December 2015: Euros 633,209,000) corresponding to funds held mostly by the Bank.

The instruments classified as level 3 have associated net gains not performed in the amount of Euros 41,754,000 (31 December 2015: Euros 92,919,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 668,662,000 as at 31 December 2016 (31 December 2015: Euros 413,579,000).

The analysis of the impact of the reclassifications performed in prior years until 31 December 2016, are analysed as follows:

(Thousands of Euros)

	At the reclassification date		2016		
	Book value	Fair value	**Book value**	**Fair value**	**Difference**
FROM FINANCIAL ASSETS HELD FOR TRADING TO:					
Financial assets available for sale	196,800	196,800	**17,744**	**17,744**	**-**
Financial assets held to maturity	2,144,892	2,144,892	**237,513**	**219,406**	**(18,107)**
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:					
Loans represented by securities	2,592,280	2,592,280	**4,375**	**4,375**	**-**
Financial assets held to maturity	627,492	627,492	**73,918**	**80,922**	**7,004**
	5,561,464	5,561,464	**333,550**	**322,447**	**(11,103)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2016, related to reclassified financial assets, are analysed as follows:

(Thousands of Euros)

	Income statement	Changes	
	Interests	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:			
Financial assets available for sale	490	(791)	(301)
Financial assets held to maturity	4,907	-	4,907
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	120	-	120
Financial assets held to maturity	3,262	252	3,514
	8,779	(539)	8,240

If the reclassifications described previously had not occurred, the additional amounts recognised in equity, as at 31 December 2016, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:				
Financial assets available for sale	(791)	55	736	-
Financial assets held to maturity	(11,716)	(6,391)	-	(18,107)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Financial assets held to maturity	-	-	7,004	7,004
	(12,507)	(6,336)	7,740	(11,103)

As at 31 December 2015, this reclassification is analysed as follows:

(Thousands of Euros)

	At the reclassification date		2015 (restated)		
	Book value	Fair value	Book value	Fair value	Difference
FROM FINANCIAL ASSETS HELD FOR TRADING TO:					
Financial assets available for sale	196,800	196,800	18,879	18,879	-
Financial assets held to maturity	2,144,892	2,144,892	236,866	230,475	(6,391)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:					
Loans represented by securities	2,592,280	2,592,280	4,375	4,375	-
Financial assets held to maturity	627,492	627,492	73,533	81,442	7,909
	5,561,464	5,561,464	333,653	335,171	1,518

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2015 related to reclassified financial assets, are analysed as follows:

(Thousands of Euros)

	Income statement	Changes	
	Interests	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:			
Financial assets available for sale	487	(1,558)	(1,071)
Financial assets held to maturity	9,140	-	9,140
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	130	-	130
Financial assets held to maturity	3,508	252	3,760
	13,265	(1,306)	11,959

If the reclassifications described previously had not occurred, the additional amounts recognised in equity, as at 31 December 2015, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:				
Financial assets available for sale	(1,558)	1,613	(55)	-
Financial assets held to maturity	(53,746)	47,355	-	(6,391)
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Financial assets held to maturity	-	-	7,909	7,909
	(55,304)	48,968	7,854	1,518

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	**452,897**	379,444
Transfers	**2,109**	5,640
Charge for the year	**295,304**	96,517
Loans charged-off	**(22,780)**	(36,281)
Exchange rate differences	**(9,604)**	7,577
BALANCE ON 31 DECEMBER	**717,926**	452,897

The Bank recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash-flows of the assets. This assessment involves judgment in which the Bank takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:
- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash-flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2016 is as follows:

(Thousands of Euros)

	2016					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	-	54,905	493,948	1,852,194	-	2,401,047
Foreign issuers	-	36,465	338	2,074	-	38,877
Bonds issued by other entities						
Portuguese issuers	-	68,737	552,191	224,906	18,022	863,856
Foreign issuers	49,642	-	52,028	263,555	-	365,225
Treasury bills and other Government bonds	98,638	556,290	-	-	-	654,928
	148,280	716,397	1,098,505	2,342,729	18,022	4,323,933
Impairment for overdue securities	-	-	-	-	(13,079)	(13,079)
	148,280	716,397	1,098,505	2,342,729	4,943	4,310,854
VARIABLE INCOME:						
Companies' shares						
Portuguese companies	-	-	-	-	41,863	41,863
Foreign companies	-	-	-	-	6,208	6,208
Investment fund units	-	102,425	122,842	1,648,828	302	1,874,397
Other securities	-	-	-	-	385	385
	-	102,425	122,842	1,648,828	48,758	1,922,853
	148,280	818,822	1,221,347	3,991,557	53,701	6,233,707

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 31 December 2015 is as follows:

(Thousands of Euros)

	2015 (restated)					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
FIXED INCOME:						
Bonds issued by public entities						
Portuguese issuers	2,329	1,757	502,588	1,866,312	-	2,372,986
Foreign issuers	43	-	38,378	2,354	-	40,775
Bonds issued by other entities						
Portuguese issuers	11,085	1,468	639,512	500,748	4,075	1,156,888
Foreign issuers	1,790	3,594	126,460	268,992	-	400,836
Treasury bills and other Government bonds	356,573	524,257	-	-	-	880,830
	371,820	531,076	1,306,938	2,638,406	4,075	4,852,315
Impairment for overdue securities	-	-	-	-	(4,075)	(4,075)
	371,820	531,076	1,306,938	2,638,406	-	4,848,240
VARIABLE INCOME:						
Companies' shares						
Portuguese companies	-	-	-	-	71,405	71,405
Foreign companies	-	-	-	-	18,625	18,625
Investment fund units	-	-	155,577	1,983,129	496	2,139,202
Other securities	-	-	-	-	258	258
	-	-	155,577	1,983,129	90,784	2,229,490
	371,820	531,076	1,462,515	4,621,535	90,784	7,077,730

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by sector of activity, as at 31 December 2016 is as follows:

(Thousands of Euros)

	2016				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
Textiles	-	-	-	203	203
Wood and cork	-	-	-	998	998
Paper, printing and publishing	-	11	-	-	11
Chemicals	26,193	-	-	-	26,193
Electricity and gas	8,742	-	-	-	8,742
Construction	-	-	-	2,395	2,395
Wholesale business	-	655	-	126	781
Restaurants and hotels	-	46	-	-	46
Transports	235,066	766	-	-	235,832
Telecommunications	-	21,020	-	-	21,020
Services(*)					
Financial intermediation	658,535	14,992	1,831,147	14,299	2,518,973
Real estate activities	-	-	43,251	-	43,251
Consulting, scientific and technical activities	176,390	102	-	-	176,492
Administrative and support services activities	-	10,441	-	-	10,441
Health and collective service activities	89,450	-	-	-	89,450
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	22	-	1	23
Other international activities	-	-	384	-	384
	1,211,059	48,071	1,874,782	18,022	3,151,934
Government and Public securities	2,439,924	-	654,928	-	3,094,852
Impairment for overdue securities	-	-	-	(13,079)	(13,079)
	3,650,983	48,071	2,529,710	4,943	6,233,707

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,113,482,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 51.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by sector of activity, as at 31 December 2015 is as follows:

(Thousands of Euros)

	2015 (restated)				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
Textiles	-	-	-	361	361
Wood and cork	-	-	-	998	998
Paper, printing and publishing	13,240	11	-	-	13,251
Chemicals	25,000	-	-	-	25,000
Machinery, equipment and basic metallurgical	-	4	-	-	4
Construction	-	941	-	2,540	3,481
Wholesale business	-	852	-	176	1,028
Restaurants and hotels	-	14,293	-	-	14,293
Transports	480,875	1,098	-	-	481,973
Telecommunications	-	27,803	-	-	27,803
Services(*)					
Financial intermediation	797,791	32,477	2,094,923	-	2,925,191
Real estate activities	-	6	44,279	-	44,285
Consulting, scientific and technical activities	164,741	102	-	-	164,843
Administrative and support services activities	-	12,082	-	-	12,082
Health and collective service activities	46,191	-	-	-	46,191
Artistic, sports and recreational activities	25,811	16	-	-	25,827
Other services	-	345	-	-	345
Other international activities	-	-	258	-	258
	1,553,649	90,030	2,139,460	4,075	3,787,214
Government and Public securities	2,413,761	-	880,830	-	3,294,591
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	3,967,410	90,030	3,020,290	-	7,077,730

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,352,163,000 which are classified in the Services sector of activity, but which have the core segment as disclosed in note 51.

As refereed in note 46, the Bank, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities. As at 31 December 2016, this caption includes Euros 39,221,000 (31 December 2015: Euros 135,228,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives by maturity as at 31 December 2016, is as follows:

(Thousands of Euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES:						
OTC Market:						
Interest rate swaps	87,571	1,102,285	9,240,993	10,430,849	520,766	461,701
Interest rate options (purchase)	-	85,442	83,509	168,951	29	-
Interest rate options (sale)	-	2,025	83,509	85,534	-	739
Other interest rate contracts	-	4,986	18,885	23,871	541	574
	87,571	1,194,738	9,426,896	10,709,205	521,336	463,014
Stock Exchange transactions:						
Interest rate futures	201,384	18,973	-	220,357	-	-
CURRENCY DERIVATIVES:						
OTC Market:						
Forward exchange contract	69,014	121,792	-	190,806	2,541	1,419
Currency swaps	1,942,251	956,930	-	2,899,181	28,256	52,288
Currency options (purchase)	41,232	37,730	42,798	121,760	3,112	-
Currency options (sale)	42,009	37,730	42,798	122,537	-	3,447
	2,094,506	1,154,182	85,596	3,334,284	33,909	57,154
SHARES / INDEXES:						
OTC Market:						
Shares / indexes swaps	644,404	958,302	1,651,783	3,254,489	29,068	7,799
Other shares / indexes options (purchase)	-	-	16,864	16,864	13,671	-
Other shares / indexes Options (sale)	-	-	16,864	16,864	-	-
	644,404	958,302	1,685,511	3,288,217	42,739	7,799
Stock exchange transactions:						
Shares futures	249,929	-	-	249,929	-	-
COMMODITY DERIVATIVES:						
Stock exchange transactions:						
Commodities futures	74,499	-	-	74,499	-	-
CREDIT DERIVATIVES:						
OTC Market:						
Credit Default Swaps	221,900	567,000	828,544	1,617,444	228,031	6,516
Other credit derivatives (sale)	-	-	55,419	55,419	-	-
	221,900	567,000	883,963	1,672,863	228,031	6,516
TOTAL FINANCIAL INSTRUMENTS TRADED IN:						
OTC Market	3,048,381	3,874,222	12,081,966	19,004,569	826,015	534,483
Stock exchange	525,812	18,973	-	544,785	-	-
EMBEDDED DERIVATIVES					142	-
	3,574,193	3,893,195	12,081,966	19,549,354	826,157	534,483

The analysis of trading derivatives by maturity, as at 31 December 2015, is as follows:

(Thousands of Euros)

	2015 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
INTEREST RATE DERIVATIVES:						
OTC Market:						
Interest rate swaps	966,802	1,326,731	10,547,812	12,841,345	513,663	479,483
Interest rate options (purchase)	825	20,309	146,688	167,822	1,373	-
Interest rate options (sale)	1	219,709	146,688	366,398	-	596
Other interest rate contracts	-	26,250	53,212	79,462	44,040	45,817
	967,628	1,592,999	10,894,400	13,455,027	559,076	525,896
Stock Exchange transactions:						
Interest rate Futures	31,022	55,112	-	86,134	-	-
CURRENCY DERIVATIVES:						
OTC Market:						
Forward exchange contract	56,792	39,100	199	96,091	917	1,285
Currency swaps	1,777,642	561,144	-	2,338,786	14,687	19,561
Currency options (purchase)	13,680	22,828	-	36,508	804	-
Currency options (sale)	11,344	24,586	-	35,930	-	841
	1,859,458	647,658	199	2,507,315	16,408	21,687
SHARES / INDEXES:						
OTC Market:						
Shares / indexes swaps	360,291	1,794,535	1,544,975	3,699,801	3,625	15,666
Shares / indexes options (sale)	-	-	1	1	-	4,500
Other shares / indexes contracts	-	-	-	-	12,194	-
	360,291	1,794,535	1,544,976	3,699,802	15,819	20,166
Stock exchange transactions:						
Shares futures	420,661	-	-	420,661	-	-
Shares / indexes options (purchase)	-	82,289	-	82,289	66,697	-
Shares / indexes options (sale)	-	82,300	-	82,300	-	62,211
	420,661	164,589	-	585,250	66,697	62,211
COMMODITY DERIVATIVES:						
Stock exchange transactions:						
Commodities futures	86,888	-	-	86,888	-	-
CREDIT DERIVATIVES:						
OTC Market:						
Credit Default Swaps	242,800	921,150	1,635,250	2,799,200	188,706	14,971
Other credit derivatives (sale)	-	-	11,164	11,164	-	-
	242,800	921,150	1,646,414	2,810,364	188,706	14,971
TOTAL FINANCIAL INSTRUMENTS TRADED IN:						
OTC Market	3,430,177	4,956,342	14,085,989	22,472,508	780,009	582,720
Stock exchange	538,571	219,701	-	758,272	66,697	62,211
EMBEDDED DERIVATIVES					46	-
	3,968,748	5,176,043	14,085,989	23,230,780	846,752	644,931

22. HEDGING DERIVATIVES

This balance is analysed as follows:

(Thousands of Euros)

	2016		2015 (restated)	
	Assets	**Liabilities**	Assets	Liabilities
HEDGING INSTRUMENTS				
Swaps	**22,882**	**101,601**	39,094	40,923
Others	**5,232**	**3,356**	170	-
	33,347	**108,313**	39,264	40,923

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Bank by extrapolation of market data. Thus, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Bank resources to derivatives to hedge interest, exchange rate exposure risks and credit portfolio risk. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash-flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Bank adopts the hedge accounting method mainly interest rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash-flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash-flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year of a positive amount of Euros 12,893,000 (31 December 2015: negative amount of Euros 2,484,000) and the hedging relationships that follow the cash-flows model recorded no ineffectiveness.

During 2016, reclassifications were made from fair value reserves to results, related to cash-flow hedge relationships, in a positive amount of Euros 16,220,000 (31 December 2015: positive amount of Euros 912,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of Euros)

Hedged item	**2016**	2015 (restated)
Loans	**6,019**	4,772
Deposits	**6,341**	(32,530)
Debt issued	**(51,038)**	(68,026)
	(38,678)	(95,784)

The analysis of hedging derivatives portfolio by maturity, as at 31 December 2016, is as follows:

(Thousands of Euros)

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	341,100	-	6,038,576	6,379,676	25,755	75,912
Others	550,000	150,000	-	700,000	5,232	3,356
	891,100	150,000	6,038,576	7,079,676	30,987	79,268
CASH-FLOW HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	-	-	6,500,000	6,500,000	2,360	29,045
	891,100	150,000	12,538,576	13,579,676	33,347	108,313

The analysis of hedging derivatives portfolio by maturity, as at 31 December 2015, is as follows:

(Thousands of Euros)

	2015 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
OTC Market:						
Interest rate swaps	4,040	139,291	2,891,016	3,034,347	32,171	40,923
Others	150,000	-	-	150,000	170	-
	154,040	139,291	2,891,016	3,184,347	32,341	40,923
CASH-FLOW HEDGE DERIVATIVES WITH INTEREST RATE RISK:						
OTC Market:						
Interest rate swaps	-	-	5,700,000	5,700,000	6,923	-
	154,040	139,291	8,591,016	8,884,347	39,264	40,923

23. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by Government and public entities	**50,728**	50,597
Issued by other entities	**359,063**	376,766
	409,791	427,363

As at 31 December 2016, the balance Financial assets held to maturity includes the amount of Euros 237,513,000 (31 December 2015: Euros 236,866,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

As at 31 December 2016, the balance Financial assets held to maturity also includes the amount of Euros 73,918,000 (31 December 2015: Euros 73,533,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

As at 31 December 2016, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of Euros)

Description	Country	Maturity date	Interest rate	Nominal value	Book value	Fair value
ISSUED BY GOVERNMENT AND PUBLIC ENTITIES:						
BTPS 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,728	54,623
					50,728	54,623
ISSUED BY OTHER ENTITIES:						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,578	81,582
Edia S.A. 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0.005%	40,000	39,052	27,675
STCP 00/05.06.2022- 100Mios Call Semest. After 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M+0.0069%	100,000	98,708	87,636
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,527	51,975
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	EURIBOR 3M+0.540%	60,272	51,068	50,399
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.160%	26,300	26,311	24,339
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.600%	17,800	17,819	14,185
					359,063	337,791
					409,791	392,414

As at 31 December 2015, the Financial assets held to maturity portfolio is analysed as follows:

(Thousands of Euros)

Description	Country	Maturity date	Interest rate	Nominal value	Book value	Fair value
ISSUED BY GOVERNMENT AND PUBLIC ENTITIES:						
BTPS 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,597	56,591
					50,597	56,591
ISSUED BY OTHER ENTITIES:						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,190	82,100
Edia S.A. 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0.005%	40,000	38,968	31,773
STCP 00/05.06.2022- 100Mios Call Semest. After 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M+0.0069%	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	EURIBOR 3M+0.540%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1.160%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2.600%	17,800	17,821	14,187
					376,766	367,008
					427,363	423,599

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2016 is as follows:

(Thousands of Euros)

	2016				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
FIXED INCOME					
Bonds issued by public entities					
Foreign issuers	-	-	50,728	-	50,728
Bonds issued by other entities					
Portuguese issuers	-	-	74,578	137,760	212,338
Foreign issuers	51,527	-	-	95,198	146,725
	51,527	-	125,306	232,958	409,791

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2015 is as follows:

(Thousands of Euros)

	2015 (restated)				
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
FIXED INCOME					
Bonds issued by public entities					
Foreign issuers	-	-	50,597	-	50,597
Bonds issued by other entities					
Portuguese issuers	-	-	74,191	137,436	211,627
Foreign issuers	-	-	51,337	113,802	165,139
	-	-	176,125	251,238	427,363

The analysis of the Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Transports and communications	**173,286**	172,658
Services	**185,777**	204,108
	359,063	376,766
Government and Public securities	**50,728**	50,597
	409,791	427,363

As referred in note 46, as part of the management process of the liquidity risk, the Bank holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Bank operates, in which are included fixed income securities. As at 31 December 2016, this caption includes Euros 51,447,000 (31 December 2015: Euros 131,698,000) of securities included in the ECB's monetary policy pool.

24. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Portuguese credit institutions	**260,235**	277,348
Foreign credit institutions	**658,363**	673,397
Other Portuguese companies	**1,394,789**	1,377,190
Other foreign companies	**3,502,963**	5,291,981
	5,816,350	7,619,916
IMPAIRMENT FOR INVESTMENTS IN:		
Subsidiary companies	**(2,342,499)**	(3,917,737)
Associated and other companies	**(9,744)**	(5,096)
	(2,352,243)	(3,922,833)
	3,464,107	3,697,083

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
ACT – C – Indústria de Cortiças, S.A.	**3,585**	3,585
Banco de Investimento Imobiliário, S.A.	**260,235**	260,235
Bank Millennium S.A.	**632,920**	650,642
Banque BCP, S.A.S.	**25,443**	22,754
BCP África, S.G.P.S., Lda.	**683,032**	683,032
BCP Capital – Sociedade de Capital de Risco, S.A.	**30,773**	30,773
BCP International B.V.	**1,215,412**	1,188,247
BCP Investment, B.V.	**2,254,451**	2,253,669
BitalPart, B.V.	**-**	1,817,671
Caracas Financial Services, Limited	**27**	27
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	**1,500**	1,500
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	**18,535**	17,830
Millennium bcp Imobiliária, S.A.	**341,088**	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**327,653**	302,324
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	**885**	885
Nanium, S.A.	**6,159**	6,159
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	**3**	3
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	**-**	1,030
S&P Reinsurance Limited	**14,536**	14,536
Servitrust – Trust Management Services S.A.	**100**	100
SIBS, S.G.P.S., S.A.	**-**	6,700
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	**13**	13
UNICRE – Instituição Financeira de Crédito, S.A.	**-**	17,113
	5,816,350	7,619,916
IMPAIRMENT FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
ACT – C – Indústria de Cortiças, S.A.	**(3,585)**	(3,585)
Banco de Investimento Imobiliário, S.A.	**(19,081)**	-
BCP África, S.G.P.S., Lda.	**(86,073)**	(80,791)
BCP Capital – Sociedade de Capital de Risco, S.A.	**(19,264)**	(19,264)
BCP International B.V.	**(87,856)**	-
BCP Investment, B.V.	**(1,430,137)**	(1,414,292)
BitalPart, B.V.	**-**	(1,809,662)
Caracas Financial Services, Limited	**(27)**	(27)
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	**(18,535)**	(17,830)
Millennium bcp Imobiliária, S.A.	**(341,088)**	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**(327,653)**	(221,930)
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	**(614)**	(781)
Nanium, S.A.	**(6,159)**	(1,421)
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	**(3)**	(3)
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	**-**	(90)
S&P Reinsurance Limited	**(12,168)**	(12,069)
	(2,352,243)	(3,922,833)
	3,464,107	3,697,083

During the year 2016, the Bank's investment in Bitalpart, B.V. was liquidated / dissolved and the investments held by the Bank in the company Quinta do Furão – Sociedade de Animação Turística e Agricola de Santana, Lda. was sold. During 2016, the Bank also sold 31.16% of the share capital held by the Bank in the company UNICRE – Instituição Financeira de Crédito, S.A. and the investment held in SIBS, S.G.P.S. (note 15).

During 2015, the Bank sold 15.41% of share capital of Bank Millennium, S.A. (Poland), sold the investment held in Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A. and it was liquidated the investment in FLITPREL III, S.A.

The movements for Impairment for investments in subsidiary and associated companies are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	3,922,833	3,805,060
Transfers	99,539	-
Impairment charge for the year	140,730	119,099
Write-back for the year	(167)	(1,054)
Loans charged-off	(1,810,692)	(273)
Exchange rate differences	-	1
BALANCE ON 31 DECEMBER	2,352,243	3,922,833

The caption Impairment for investments in subsidiaries and associated companies – Transfers refers to the transfer / conversion of Capital supplementary contributions to Investments in subsidiaries and associated companies, to cover negative retained earnings of Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.

As at 31 December 2016, the caption Impairment for investments in subsidiary and associated companies – Loans charged-off results from the liquidation / dissolution of Bitalpart, B.V. and Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.

The Bank's subsidiaries and associated companies are presented in note 53.

The Bank analysed the impairment related to the investments made in subsidiaries and associated as described in note 1.

Regarding holding companies, namely BCP Investment B.V., Bitalpart, B.V., Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda. and BCP International B.V., the impairment analysis was performed considering the recoverable amount of the business controlled by each one of those companies.

The recoverable amounts, as described in note 1 j), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the period from 2016 to 2020 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

(Thousands of Euros)

	2016			2015 (restated)		
	Discount rate	Discount rate	Growth rate	Discount rate	Discount rate	Growth rate
	Explicit period	Perpetuity	Perpetuity	Explicit period	Perpetuity	Perpetuity
Portugal	7.250% to 11.750%	11.750%	0.000%	8.750% to 10.750%	9.280% to 11.280%	-4.500% to 2.800%
Poland	9.500%	9.500%	3.100%	9.000%	9.000%	2.500%
Angola	18.000%	18.000%	n.a.	17.500%	17.500%	n.a.
Mozambique	19.000%	19.000%	9.200%	19.000%	19.000%	9.200%
Switzerland	9.250%	9.540%	0.000%	9.500%	9.905%	0.000%

Based on the analysis made, the Bank recognised in 2016 impairment for a group of companies, as follows:

(Thousands of Euros)

	Balance on 1 January	Impairment charge	Write-back	Loans charged-off	Exchange rate differences	Balance on 31 December
ACT – C – Indústria de Cortiças, S.A.	3,585	-	-	-	-	3,585
Banco de Investimento Imobiliário, S.A.	-	19,081	-	-	-	19,081
BCP África, S.G.P.S., Lda.	80,791	5,282	-	-	-	86,073
BCP Capital – Sociedade de Capital de Risco, S.A.	19,264	-	-	-	-	19,264
BCP International B.V.	-	87,856	-	-	-	87,856
BCP Investment B.V.	1,414,292	15,845	-	-	-	1,430,137
BitalPart, B.V.	1,809,662	-	-	(1,809,662)	-	-
Caracas Financial Services, Limited	27	-	-	-	-	27
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	17,830	705	-	-	-	18,535
Millennium bcp Imobiliária, S.A.	341,088	-	-	-	-	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	221,930	6,184	-	-	99,539	327,653
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	781	-	(167)	-	-	614
Nanium, S.A.	1,421	4,738	-	-	-	6,159
Propaço – Sociedade Imobiliária de Paço D'Arcos, Lda.	3	-	-	-	-	3
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	90	940	-	(1,030)	-	-
S&P Reinsurance Limited	12,069	99	-	-	-	12,168
	3,922,833	140,730	(167)	(1,810,692)	99,539	2,352,243

25. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
REAL ESTATE		
Real estate and other assets arising from recovered loans	**1,582,615**	1,279,334
Assets for own use (closed branches)	**7,869**	46,850
Equipment and other	**14,206**	16,900
Subsidiaries acquired exclusively with the purpose of short-term sale	**235,744**	176,618
Other assets	**35,177**	56,534
	1,875,611	1,576,236
IMPAIRMENT		
Real estate		
Real estate and other assets arising from recovered loans	**(168,626)**	(194,369)
Assets for own use (closed branches)	**(1,829)**	(18,351)
Equipment and other	**(4,141)**	(13,365)
Subsidiaries acquired exclusively with the purpose of short-term sale	**(79,711)**	(93,709)
	(254,307)	(319,794)
	1,621,304	1,256,442

The assets included in this balance are accounted for in accordance with the accounting policy described in note 1 k).

The balance Real estate – Real estate and other assets arising from recovered loans includes, essentially, real estate resulted from recovered loans or judicial auction following the resolution of credit agreements to customers which are accounted following the establishment of the contract or promise of recovered loans and the respective irrevocable power of attorney issued by the client on behalf of the Bank.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale, according to the characteristic of each asset, as well the breakdown of the underlying assessments. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The sale strategy is based in an active search of buyers, with the Bank having a website where advertises these properties and through partnerships with the mediation of companies having more ability for the product that each time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred caption includes real estate for which the Bank has already established contracts for the sale in the amount of Euros 32,586,000 (31 December 2015: Euros 28,975,000), which impairment associated is Euros 16,190,000 (31 December 2015: Euros 16,896.000), which was calculated taking into account the value of these contracts.

The Bank requests, regularly, to the Bank of Portugal, following the Article 114.º of the General Regime of Credit Institutions and Financial Companies, the extension of the period of holding these properties.

As at 31 December 2016, the caption Subsidiaries acquired exclusively with the view of short-term sale corresponds to five real estate companies acquired by the Bank (31 December 2015: four companies) within the restructuring of a loan exposure that the Bank intends to sell in less than one year (note 53), which hold real estate assets in the amount of Euros 129,456,000 (31 December 2015: Euros 69,885,000). However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	**319,794**	317,096
Transfers	**(13,746)**	6,000
Impairment for the year	**33,553**	66,555
Loans charged-off	**(85,294)**	(69,857)
BALANCE ON 31 DECEMBER	**254,307**	319,794

26. OTHER TANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Land and buildings	**528,878**	548,985
Equipment		
Furniture	**70,206**	69,713
Machinery	**16,416**	15,767
Computer equipment	**168,051**	162,987
Interior installations	**96,688**	95,858
Motor vehicles	**10,377**	7,047
Security equipment	**64,089**	65,536
Other equipment	**2,923**	3,000
Work in progress	**8,322**	7,613
Other tangible assets	**30**	33
	965,980	976,539
ACCUMULATED DEPRECIATION		
Charge for the year (note 11)	**(19,212)**	(18,004)
Accumulated charge for the previous years	**(728,459)**	(748,850)
	(747,671)	(766,854)
	218,309	209,685

The changes occurred in Other tangible assets, during 2016, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
COST:						
Land and buildings	548,985	281	(23,646)	3,241	17	528,878
Equipment:						
Furniture	69,713	2,727	(2,237)	-	3	70,206
Machinery	15,767	424	(139)	362	2	16,416
Computer equipment	162,987	8,197	(2,812)	(325)	4	168,051
Interior installations	95,858	742	(1,236)	1,324	-	96,688
Motor vehicles	7,047	4,310	(984)	-	4	10,377
Security equipment	65,536	1,718	(3,438)	272	1	64,089
Other equipment	3,000	-	(77)	-	-	2,923
Work in progress	7,613	19,361	(632)	(18,020)	-	8,322
Other tangible assets	33	-	(3)	-	-	30
	976,539	37,760	(35,204)	(13,146)	31	965,980
ACCUMULATED DEPRECIATION:						
Land and buildings	370,627	9,436	(23,096)	(4,752)	5	352,220
Equipment:						
Furniture	65,831	1,021	(2,231)	-	2	64,623
Machinery	15,093	182	(139)	-	1	15,137
Computer equipment	155,269	4,396	(2,803)	-	2	156,864
Interior installations	92,034	852	(1,211)	(7)	-	91,668
Motor vehicles	3,411	2,185	(654)	-	2	4,944
Security equipment	61,569	1,130	(3,434)	-	-	59,265
Other equipment	2,987	10	(77)	-	-	2,920
Other tangible assets	33	-	(3)	-	-	30
	766,854	19,212	(33,648)	(4,759)	12	747,671

27. INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Software	**26,378**	28,383
Other intangible assets	**192**	189
	26,570	28,572
ACCUMULATED DEPRECIATION		
Charge for the year (note 11)	**(5,487)**	(5,860)
Accumulated charge for the previous years	**(6,557)**	(10,047)
	(12,044)	(15,907)
	14,526	12,665

The changes occurred in Intangible assets balance, during 2016, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
COST:						
Software	28,383	7,518	(9,355)	(176)	8	26,378
Other intangible assets	189	-	-	-	3	192
	28,572	7,518	(9,355)	(176)	11	26,570
ACCUMULATED DEPRECIATION:						
Software	15,820	5,482	(9,355)	-	2	11,949
Other intangible assets	87	5	-	-	3	95
	15,907	5,487	(9,355)	-	5	12,044

28. INCOME TAX

Deferred income tax assets and liabilities are analysed as follows:

(Thousands of Euros)

	2016			2015 (restated)		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
DEFERRED TAXES NOT DEPENDING ON THE FUTURE PROFITS[(A)]						
Impairment losses	**868,109**	**-**	**868,109**	878,530	-	878,530
Employee benefits	**787,391**	**-**	**787,391**	765,022	-	765,022
	1,655,500	**-**	**1,655,500**	1,643,552	-	1,643,552
DEFERRED TAXES DEPENDING ON THE FUTURE PROFITS						
Other tangible assets	**860**	**(3,124)**	**(2,264)**	-	(3,200)	(3,200)
Impairment losses	**870,121**	**(50,303)**	**819,818**	880,591	(466,639)	413,952
Employee benefits	**29,585**	**(377)**	**29,208**	4	-	4
Financial assets available for sale	**22,464**	**-**	**22,464**	-	(21,166)	(21,166)
Tax losses carried forward	**490,688**	**-**	**490,688**	311,354	-	311,354
Others	**56,899**	**(22,006)**	**34,893**	149,454	(44,453)	105,001
	1,470,617	**(75,810)**	**1,394,807**	1,341,403	(535,458)	805,945
TOTAL DEFERRED TAXES	**3,126,117**	**(75,810)**	**3,050,307**	2,984,955	(535,458)	2,449,497
Offset between deferred tax assets and deferred tax liabilities	**(75,810)**	**75,810**	**-**	(535,458)	535,458	-
Net deferred taxes	**3,050,307**	**-**	**3,050,307**	2,449,497	-	2,449,497

[(a)] Special Regime applicable to deferred tax assets.

The Extraordinary General Meeting of the Bank, held on 15 October 2014, approved the Bank's adherence to the special regime applicable to deferred tax assets, approved by Law no. 61/2014, of 26 August, applicable to expenses and negative equity variations recorded in taxable periods beginning on or after 1 January 2015 and the deferred tax assets that are recorded in the annual accounts of the taxpayer to the last period prior to that date and the taxation of the expenses and negative equity variations that are associated with them. Pursuant to Law no. 23/2016, of 19 August, this special regime is not apply to expenses and negative equity changes recorded in the tax periods beginning on or after 1 January 2016, or to tax assets associated with them.

The Law no. 61/2014, of 26 August, provides an optional framework with the possibility of subsequent resignation, according to which, in certain situations (those of negative net result in individual annual accounts or liquidation by voluntary dissolution, insolvency decreed in court or revocation of the respective authorization), there will be a conversion into tax credits of the deferred tax assets that have resulted from the non-deduction of expenses and reductions in the value of assets resulting from impairment losses on credits and from post-employment or long-term employee benefits. In this case, it should be constituted a special reserve corresponding to 110% of its amount, which implies the simultaneous constitution of conversion rights attributable to the State of equivalent value, which rights can be acquired by the shareholders through payment to the State of that same amount. Tax credits can be offset against tax debts of the beneficiaries (or from an entity based in Portugal of the same prudential consolidation perimeter) or reimbursable by the State. Under the regime described, the recovery of deferred tax assets covered by the optional regime approved by Law no. 61/2014, of 26 August is not dependent on future profits.

The above-mentioned legal framework was densified by ordinance no. 259/2015, of 4 October about the control and use of tax credits, and by the ordinance No. 293-A/2016, of 18 November, which establishes the conditions and procedures for the acquisition by the shareholders of the referred rights of the State. According to this legislation, among other aspects, these rights are subject to a right of acquisition by the shareholders on the date of creation of the rights of the State, exercisable in periods that will be established by the Board of Directors until 10 years after the date of its creation, and the issuing bank shall deposit in the name of the State the amount of the price corresponding to all the rights issued, within three months of date of its creation, in advance and independently of its acquisition. Such deposit shall be redeemed when and to the extent that the rights of the State are acquired by the shareholders, or exercised by the State.

Deferred taxes are calculated based on the tax rates expected to be in force when the temporary differences are reversed, which correspond to the approved rates or substantively approved at the balance sheet date. The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

The deferred tax rate is analysed as follows:

	2016	2015 (restated)
Description	%	%
Income tax	**21.00**	21.00
Municipal surtax rate	**1.50**	1.50
State tax rate (over the taxable income)	**-**	-
More than Euros 1,500,000 until Euros 7,500,000	**3.00**	3.00
More than Euros 7,500,000 until Euros 35,000,000	**5.00**	5.00
More than Euros 35,000,000	**7.00**	7.00
Average rate of the deferred tax	**29.43**	29.50

The tax applicable to deferred taxes related to tax losses of the Bank is 21.00% (31 December 2015: 21.00%).

The average tax applicable to deferred taxes related to temporary differences of the Bank is 29.43% (31 December 2015:29.50%).

The reporting period of tax losses in Portugal is five years for the losses of 2012 and 2013 and 12 years for the losses of 2014, 2015 and 2016.

In 2016, Banco Comercial Português, S.A. opted for the Special Regime for Taxation of Groups of Companies (RETGS).

The balance of deferred tax assets, with reference to 31 December 2016, related to expenses and negative equity variations with post--employment or long-term employee benefits and to specific credit impairment losses registered up to 31 December 2014 amounts to Euros 1,579,062,000, of which Euros 210,686,000 and Euros 4,020,000 were recorded in 2015 and 2016, respectively, assets which are considered eligible for the scheme approved by Law no. 61/2014 of 26 August.

Aspects to highlight for the 2016 financial year

Following the publication of Notice 5/2015 of the Bank of Portugal, the entities that presented their financial statements in Adjusted Accounting Standards issued by the Bank of Portugal (NCA) began to apply the International Financial Reporting Standards as adopted in the European Union, including but not limited to, the Bank's separate financial statements.

As a result of this change, the Bank's separate financial statements include the loans and advances portfolio, guarantees provided and other operations with analogous nature became subject to the recording of impairment losses calculated in accordance with the requirements of the International Financial Accounting 39 – Financial Instruments: Recognition and Measurement (IAS 39), replacing the recording of provisions for specific risk and for general credit risks and for country risk, in accordance with Bank of Portugal Notice No. 3/95.

The Regulatory Decree No. 5/2016, of 18 November (Regulatory Decree), established the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for the purposes of the calculation of taxable income in 2016.

This Regulatory Decree establishes that the Notice No. 3/95 of Bank of Portugal (Notice that was relevant for the determination of provisions for credit in Financial statements presented in NCA) should be considered for the purpose of calculating the maximum limits of impairment losses accepted for fiscal effects in 2016. This methodology was also applied for the treatment of the transition adjustments related to credit impairment which previously presented their financial statements in NCA.

In addition, the Regulatory Decree includes a transitional rule that provides for the possibility of a positive difference between the value of provisions for credit created on 1 January 2016 under Bank of Portugal Notice No. 3/95 and the impairment losses recorded on 1 January, 2016 referring to the same credits shall be considered in the determination of the taxable income of 2016 only in the part that exceeds the tax losses generated in periods of taxation started on or after 1 January 2012 and not used. The Bank opted to apply this transitional standard.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

(Thousands of Euros)

Expire date	2016	2015 (restated)
2017	-	29,739
2018	-	108,634
2026	**201,812**	172,981
2028	**288,876**	-
	490,688	311,354

Analysis of the recoverability of deferred tax assets

In accordance with the accounting policy 1 ab) ii), and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability.

The recoverability of deferred taxes depends on the implementation of the strategy of the Bank's Board of Directors, namely the generation of estimated taxable income and its interpretation of tax legislation. Any changes in the assumptions used in estimating future profits or tax legislation may have material impacts on deferred tax assets.

The assessment of the recoverability of deferred tax assets was carried based on the respective financial statements prepared under the budget process for 2017 and which support future taxable income considering the macroeconomic and competitive environment, at the same time that incorporate the Bank's strategic priorities.

The projections made take into consideration, in addition to the Group's strategic priorities, certain assumptions of the Funding and Capital Plan requested by Bank of Portugal, namely in terms of interest rate evolution, and are globally consistent with the Reduction Plan of Non-Performing Assets 2017-2021 sent it to the supervisory entity, underlining:

– Improvement of the net interest income, considering interest rate curves used under the scope of the projections of net interest income in line with the market forecasts;

– Stabilization of the ratio loans and advances over the balance sheet resources from customer by approximately 100%, simultaneously with a reduction of NPE of loans and advances in Portugal;

– Decrease in the cost of risk, supported by the expectation of a gradual recovery of economic activity, consubstantiating a stabilization of the business risk, as well as the reduction of the non-core portfolio. In this way, the gradual convergence of the cost of credit risk (up to 2021) is estimated to be close to those currently observed in other European countries, including in the Iberian Peninsula;

– Control of the operating expenses, in line with the targets defined in the Group's strategic priorities;

– Net income, projecting the favorable evolution of the ROE and maintaining of the CET1 ratio fully implemented at levels appropriate to the requirements and benchmarks. From 2021 onwards, it is estimated an annual growth of the Net income / (losses) before income taxes, which reflects a partial convergence to the estimated Cost of Equity.

For the purposes of estimating taxable profits for the periods 2017 and following, the main assumptions considered were the following:

– In the absence of specific rules on the tax regime for credit impairment and guarantees for tax periods beginning on or after 1 January 2017 it was considered, the approximation between the tax rules and the accounting rules underlying a preliminary draft of the Law amending article 28-C of the Corporate Income Tax Code, assuming for the purposes here relevant that the annual credit impairment allowances resulting from individual analysis are fully deductible as from 2017, that the annual credit impairment allowances resulting from collective analysis are deductible at 75%, and that the balance of impairment losses of the credit not accepted for tax purposes until 31 December 2016 is accepted for tax purposes over a period of 15 years, considering the increasing percentages referred to in the preliminary draft in question;

– Deductions related to impairment of financial assets were projected based on the destination (sale or settlement) and the estimated date of the respective operations. The deductions related to employee benefits are projected based on their estimated payments or deduction plans, in accordance with information provided by the actuary of the pension fund.

It is present below the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: If there was a 5% reduction in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have a reduction of about Euros 73 million; If there was a 5% increase in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have an increase of about Euros 73 million.

In accordance with this assessment, the amount of unrecognized deferred tax, by year of expiration, is as follows:

(Thousands of Euros)

Tax losses carried forward	2016	2015 (restated)
2017	-	260,501
2018	-	53,808
2026	-	120,836
2028	**171,000**	-
	171,000	435,145

The impact of income taxes in Net (loss) / income and other captions of Bank's equity is analysed as follows:

(Thousands of Euros)

	2016		2015 (restated)	
	Net (loss) / income	Reserves and retained earnings	Net (loss) / income	Reserves and retained earnings
DEFERRED TAXES				
Deferred taxes not depending on the future profits[a]				
Impairment losses	(10,421)	-	66,130	-
Employee benefits	21,774	595	15,599	65,961
	11,353	595	81,729	65,961
DEFERRED TAXES DEPENDING ON THE FUTURE PROFITS				
Other tangible assets	936	-	70	-
Impairment losses	405,866	-	96,369	-
Employee benefits	8,483	20,721	-	-
Financial assets available for sale	-	43,630	-	23,577
Tax losses carried forward[b]	130,452	48,882	(132,245)	20,043
Others	(70,108)	-	(2,732)	-
	475,629	113,233	(38,538)	43,620
	486,982	113,828	43,191	109,581
CURRENT TAXES				
Actual year[b]	(5,389)	-	(5,261)	-
Previous years corrections	535	-	(505)	-
	(4,854)	-	(5,766)	-
	482,128	113,828	37,425	109,581

[a] Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (attached to Law no. 61/2014 of 26 August). Under the Law no. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.
[b] The tax on reserves and retained earnings refers to realities recognised in reserves and retained earnings that compete for the purpose of calculating the tax loss.
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The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Net income / (loss) before income taxes	(412,820)	47,619
Current tax rate	29.43%	29.50%
Expected tax	121,493	(14,048)
Elimination of double economic taxation of dividends received	61,152	43,001
Non deductible impairment	(78,122)	(54,290)
Contribution for the banking sector	(6,544)	(6,506)
Fiscal gains and losses	47,732	29,310
Other accruals and deductions for the purpose of calculating taxable income	(181)	(722)
Effect of tax rate differences and deferred tax not recognised previously[a]	330,833	40,974
Previous years corrections	7,780	1,399
(Autonomous tax) / Tax credits	(2,015)	(1,693)
	482,128	37,425
Effective rate	116.79%	-78.59%

[a] The amount as at 31 December 2016 includes the deferred tax impact associated with the 2016 taxable loss in the amount of Euros 281,170,000, arising from the combination of the effects of the revocation of the Bank of Portugal Notice no. 3/95, of the special regime applicable to deferred tax assets (attached to Law no. 64/2014, of 26 August), of the temporary regime provided for in Regulatory Decree no. 5/2016 of 18 November and the conclusions on the recoverability of deferred taxes associated with taxable losses. The amount as at 31 December 2015 refers, essentially, to the recognition of deferred tax assets associated with post-employment or long-term employee benefits in excess of the limits.

29. OTHER ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Debtors	**164,067**	118,244
Capital supplies	**233,998**	224,832
Capital supplementary contributions	**377,817**	212,128
Other financial investments	**14,061**	15,832
Gold and other precious metals	**3,633**	3,499
Deposit account applications	**295,669**	38,926
Debtors for futures and options transactions	**49,422**	86,595
Artistic patrimony	**28,622**	28,438
Amounts due for collection	**29,600**	34,280
Recoverable tax	**22,000**	19,426
Recoverable government subsidies on interest on mortgage loans	**4,474**	8,164
Associated companies	**8,812**	183,842
Interest and other amounts receivable	**25,881**	33,331
Prepayments and deferred costs	**25,754**	29,421
Amounts receivable on trading activity	**28,183**	177,439
Amounts due from customers	**227,373**	221,968
Obligations with post-employment benefits (note 44)	**29,765**	21,899
Sundry assets	**24,381**	24,283
	1,593,512	1,482,547
Impairment for other assets	**(323,075)**	(369,250)
	1,270,437	1,113,297

As referred in note 51, the balance Capital supplies includes the amount of Euros 213,464,000 (31 December 2015: Euros 207,611,000) and the balance Capital supplementary contributions includes the amount of Euros 2,939,000 (31 December 2015: Euros 2,939,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided. The impairment with impact on results in 2016 related to these operations amounted to Euros 5,853,000 (2015: Euros 6,599,000).

As at 31 December 2016, the caption Deposit account applications includes the amount of Euros 228,949,000 on the Clearing houses / Clearing derivatives.

As at 31 December 2015, the balance Associated companies includes the amount of Euros 182,000,000 related to receivable dividends from subsidiary companies.

The caption Amounts receivable on trading activity includes amounts receivable within three business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Bank procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Millennium bcp Imobiliária, S.A.	**51,295**	54,195
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**305,583**	134,225
Millennium bcp – Prestação de Serviços, A.C.E.	**18,000**	18,000
Others	**2,939**	5,708
	377,817	212,128

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	369,250	265,845
Transfers	(77,808)	91,934
Impairment for the year	38,642	14,330
Write back for the year	(788)	-
Amounts charged-off	(6,221)	(2,859)
BALANCE ON 31 DECEMBER	323,075	369,250

30. RESOURCES FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2016			2015 (restated)		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
RESOURCES AND OTHER FINANCING FROM CENTRAL BANKS						
Bank of Portugal	-	4,081,574	4,081,574	-	4,184,912	4,184,912
Central Banks abroad	-	220,554	220,554	-	353,279	353,279
	-	4,302,128	4,302,128	-	4,538,191	4,538,191
RESOURCES FROM CREDIT INSTITUTIONS IN PORTUGAL						
Very short-term deposits	-	-	-	-	55,113	55,113
Sight deposits	390,707	-	390,707	531,659	-	531,659
Term deposits	-	764,397	764,397	-	439,280	439,280
Other resources	1,240	-	1,240	1,240	-	1,240
	391,947	764,397	1,156,344	532,899	494,393	1,027,292
RESOURCES FROM CREDIT INSTITUTIONS ABROAD						
Very short-term deposits	-	11	11	-	3,648	3,648
Sight deposits	170,878	-	170,878	271,322	-	271,322
Term deposits	-	505,641	505,641	-	583,671	583,671
Loans obtained	-	1,226,097	1,226,097	-	830,565	830,565
Sales operation with repurchase agreement	-	2,317,772	2,317,772	-	969,949	969,949
Other resouces	-	66,649	66,649	-	55,366	55,366
	170,878	4,116,170	4,287,048	271,322	2,443,199	2,714,521
	562,825	9,182,695	9,745,520	804,221	7,475,783	8,280,004

This balance is analysed by remaining period, as follows:

(Thousands of Euros)

	2016	2015 (restated)
Up to 3 months	**3,764,169**	5,693,002
3 to 6 months	**552,379**	180,206
6 to 12 months	**124,631**	186,786
1 to 5 years	**4,314,091**	1,581,002
Over 5 years	**990,250**	639,008
	9,745,520	8,280,004

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"), the amount of Euros 63,393,000 (31 December 2015: Euros 56,520,000). These deposits are held by the Bank and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions – Resources from credit institutions abroad – Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

31. RESOURCES FROM CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2016			2015 (restated)		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
DEPOSITS FROM CUSTOMERS						
Repayable on demand	**-**	**14,420,226**	**14,420,226**	13,387,148	137,036	13,524,184
Term deposits	**-**	**13,270,051**	**13,270,051**	-	15,295,861	15,295,861
Saving accounts	**-**	**2,792,217**	**2,792,217**	-	2,323,222	2,323,222
Deposits at fair value through profit and loss	**-**	**2,985,741**	**2,985,741**	-	3,593,761	3,593,761
Treasury bills and other assets sold under repurchase agreement	**-**	**137,707**	**137,707**	-	89,966	89,966
Cheques and orders to pay	**316,231**	**-**	**316,231**	203,423	-	203,423
Other	**-**	**35,796**	**35,796**	-	120,337	120,337
	316,231	**33,641,738**	**33,957,969**	13,590,571	21,560,183	35,150,754

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

The caption Deposits from customers – Deposits at fair value through profit and loss is measured in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 3 (note 43). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2016, a gain in the amount of Euros 3,239,000 was recognised (31 December 2015: loss of Euros 1,302,000) related to the fair value changes resulting from variations in the credit risk of the Bank, as referred in note 6.

As at 31 December 2016, the nominal amount of the caption Deposits from customers – Deposits at fair value through profit and loss amounts to Euros 2,992,567,000 (31 December 2015: Euros 3,605,424,000).

This balance is analysed by remaining period, as follows:

(Thousands of Euros)

	2016	2015 (restated)
DEPOSITS REPAYABLE ON DEMAND	14,420,226	13,524,184
TERM DEPOSITS AND SAVING ACCOUNTS:		
Up to 3 months	7,947,907	7,057,424
3 to 6 months	4,114,368	4,355,350
6 to 12 months	3,589,315	4,934,764
1 to 5 years	273,506	1,116,539
Over 5 years	137,172	155,006
	16,062,268	17,619,083
DEPOSITS AT FAIR VALUE THROUGH PROFIT AND LOSS:		
Up to 3 months	400,680	302,691
3 to 6 months	338,827	529,869
6 to 12 months	602,762	1,252,055
1 to 5 years	1,643,472	1,509,146
	2,985,741	3,593,761
TREASURY BILLS AND OTHER ASSETS SOLD UNDER REPURCHASE AGREEMENT:		
Up to 3 months	137,707	89,966
CHEQUES AND ORDERS TO PAY:		
Up to 3 months	316,231	203,423
OTHER:		
Up to 3 months	2,367	3,837
6 to 12 months	1,286	-
1 to 5 years	10,143	-
Over 5 years	22,000	116,500
	35,796	120,337
	33,957,969	35,150,754

32. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
DEBT SECURITIES AT AMORTISED COST		
Bonds	670,458	1,426,317
Covered bonds	926,828	1,331,294
MTNs	339,372	464,032
	1,936,658	3,221,643
Accruals	33,522	42,620
	1,970,180	3,264,263
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Bonds	38,709	43,607
MTNs	157,872	160,150
	196,581	203,757
Accruals	3,566	3,996
	200,147	207,753
Certificates	585,517	507,845
	2,755,844	3,979,861

The securities in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2 (note 43). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). During 2016, a loss in the amount of Euros 1,348,000 was recognised (2015: loss of Euros 6,342,000) related to the fair value changes resulting from variations in the credit risk of the Bank, as referred in note 6.

The characteristics of the Bonds issued by the Bank, as at 31 December, 2016 are analysed as follows:

(Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
DEBT SECURITIES AT AMORTISED COST					
BCP Cov Bonds Jun 07/17	June, 2007	June, 2017	Fixed rate of 4.750%	920,750	926,829
BCP Fix Oct 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	5,799
Bcp Float Apr 2017-Vm Sr.95-Ref.28	December, 2011	April, 2017	Until 1 Apr 2012: Fixed rate 2.050% year; after 1 Apr 2012: Euribor 3M + 0.500%	90,000	88,482
Bcp Float Jan 2019-Vm Sr.105-Ref.38	December, 2011	January, 2019	Until 5 Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.810%	50,000	45,098
Bcp Float Jul 2017-Vm Sr.97-Ref.30	December, 2011	July, 2017	Until 28 Apr 2012: Fixed rate 2.738% year; after 28 Apr 2012: Euribor 3M + 1.150%	28,750	27,624
Bcp Float Oct 2017-Vm Sr.100 Ref.33	December, 2011	October, 2017	Until 28 Apr 2012: Fixed rate 2.088% year; after 28 Apr 2012: Euribor 3M + 0.500%	48,350	45,593
Bcp Float Aug 2017-Vm Sr.98-Ref.31	December, 2011	August, 2017	Until 5 May 2012: Fixed rate 2.080% year; after 5 May 2012: Euribor 3M + 0.500%	5,000	4,795
Bcp Float May 2017-Vm Sr.96-Ref.29	December, 2011	May, 2017	Until 13 May 2012: Fixed rate 1.964% year; after 13 May 2012: Euribor 3M + 0.500%	44,450	43,341
Bcp Float May 2018-Vm 104-Ref.37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.500%	38,500	34,891
Bcp Float Feb 2019-Vm 106 Ref.39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1.000%	10,850	9,718
Bcp Float Feb 2018-Vm 102-Ref.35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.500%	54,600	50,428
Bcp Float Feb 2017-Vm Sr.94-Ref.27	December, 2011	February, 2017	Until 18 May 2012: Fixed rate 1.958% year; after 18 May 2012: Euribor 3M + 0.500%	93,250	92,393
Bcp Float Sep 2017-Vm Sr.99-Ref.32	December, 2011	September, 2017	Until 23 Jun 2012: Fixed rate 1.916% year; after 23 Jun 2012: Euribor 3M + 0.500%	14,500	13,804
BCP Float Dec 2017-Vm Sr.101 Ref.34	December, 2011	December, 2017	Euribor 3M + 0.500%	65,900	61,379
BCP Float Mar 2018-Vm Sr.103 Ref.36	December, 2011	March, 2018	Euribor 3M + 0.500%	49,300	45,119
BCP Fixa Oct 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	10,171
BCP Fixa Oct 19-Vm Sr. 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	4,269
BCP Floater Jul 17-Vm Sr. 122	February, 2012	July, 2017	Until 28 Jul 2012: fixed rate 2.738% year; after 28 Jul 2012: Euribor 3M + 1.150%	3,750	3,632
BCP Floater Nov 18-Vm Sr. 124	February, 2012	November, 2018	Until 3 Aug 2012: fixed rate 1.715% year; after 3 Aug 2012: Euribor 3M + 0.600%	30,000	26,712
BCP Floater Jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.500%	18,500	16,872
BCP Fixa Oct 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	2,102
BCP Fixa Oct 19-Vm Sr. 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	5,152
BCP 4.75 Por Cento set -Vm Sr. 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	28,543
BCP 3.375 14/27.02.2017 Emtn 852	February, 2014	February, 2014	Fixed rate of 3.375%	338,500	339,372
BCP Cln Brisa Feb 2023 - Epvm Sr. 23	February, 2015	February, 2023	Fixed rate 2.650% – underlying asset Brisa 022023	2,000	1,994
BCP 4.03 May 2021 Epvm Sr. 33	August, 2015	May, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.030%	2,500	2,546
					1,936,658
ACCRUALS					33,522
					1,970,180

(continues)

(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS					
BCP Cln Portugal – Emtn 726	June, 2010	June, 2018	Fixed rate of 4.720% underlying asset OT – 2018/06	59,100	62,409
BCP Eur Cln Port 2Emis Jun 10/18	November, 2010	June, 2018	Fixed rate of 4.450% underlying asset OT – 2018/06	11,550	12,549
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate of 4.800% underlying asset OT – 2020/06	30,000	33,927
BCP Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate of 4.450% underlying asset OT – 2018/06	32,700	44,673
Part. Multisetorial Europ.-Emtn 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors EUR	3,950	4,314
Inv.Zona Euro I 22012017 Epvm Sr 4	January, 2014	January, 2017	Indexed to DJ EuroStoxx 50 index	1,150	1,080
Inv Commodities Autc Epvm 16	November, 2014	November, 2017	Indexed to S&P GSCI ER index	1,340	692
BCP Reem Parc Eur Ind XII 14 Epvm 18	December, 2014	December, 2017	1st quarter=2.250%; 2nd quarter=5.400%; 2nd semester=9.000%; 2nd year=4.500%	220	183
BCP Reemb Parciais Eur Ind I-Epvm 20	February, 2015	January, 2018	Until 15 Apr 2015: Fixed rate 3.164%; after 15 Apr 2015 until 15 Jul 2015: Fixed rate 5.400%; after 15 Jul 2015 until 15 Jan 2016: Fixed rate 9.000%; after 15 Jan 2016 until 15 Jan 2017: Fixed rate 4.500%; after 15 Jan 2017 until 15 Jan 2018: Fixed rate 4.500%	1,790	1,489
BCP Reemb Parciais Indic Europ II-Epvm 22	February, 2015	February, 2017	Until 4 May 2015: Fixed rate 1.776%; after 4 May 2015 until 4 Aug 2015: Fixed rate 3.600%; after 4 Aug 2015 until 4 Feb 2016: Fixed rate 6.000%; after 4 Feb 2016 until 6 Feb 2017: Fixed rate 2.983%	326	323
BCP Reemb Parciais Multi Setores IV-Epvm 25	April, 2015	April, 2017	Until 16 Jul 2015: Fixed rate 2.000%; after 16 Jul 2015 until 16 Oct 2015: Fixed rate 4.800%; after 16 Oct 2015 until 16 Apr 2016: Fixed rate 8.000%; after 16 Apr 2016 until 16 Apr 2017: Fixed rate 4.000%	314	301
BCP Retor Ec Zona Eur Autoc IV-Epvm 26	April, 2015	April, 2017	Indexed to DJ EuroStoxx 50	3,050	3,108
BCP Inv Cabaz Baixa Volatil V-Epvm 28	May, 2015	May, 2017	Indexed to S&P Europe 350 Low Volatility	1,520	1,365
BCP Indic Setor Cupao Fixo VI-Epvm 29	June, 2015	June, 2018	1st year Fixed rate 9.000%; 2nd year and followings indexed to a portfolio of 3 indexes	2,810	2,649
BCP Rend Indic Setor Autoc VII-Epvm 30	July, 2015	July, 2017	Indexed to a portfolio of 3 indexes	2,180	2,138
BCP Inv Eur Divid Autoccal. VII-Epvm 31	July, 2015	July, 2018	Indexed to EuroStoxx Select Dividend 30	1,100	1,128
BCP Rend Acoes Zon Eur Autc-Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,770	1,617
BCP Reemb Parc Indic Setor XI-Epvm 34	November, 2015	November, 2017	Until 12 Feb 2016: Fixed rate 1.500%; after 12 Feb 2016 until 12 May 2016: Fixed rate 3.600%; after 12 May 2016 until 12 Nov 2016: Fixed rate 6.000%; after 12 Nov 2016 until 12 Nov 2017: Fixed rate 3.000%	672	640
BCP Rend Indices Globais Autoc XI-Epvm 36	November, 2015	November, 2017	Indexed to a portfolio of 3 indexes	1,600	1,654
BCP Invest Bancos Zona Eur XI-Epvm 37	November, 2015	November, 2019	Indexed to indice EuroStoxx Banks	1,000	687
BCP Invest Eur Glob Autoc XI-Epvm 35	November, 2015	November, 2017	Indexed to Stoxx Europe 600 index	2,960	3,179
BCP Rend Zon Eur Autoc XII-Epvm 38	December, 2015	December, 2018	Indexed to EuroStoxx 50	3,060	2,841
BCP Reemb Par Ind Setor XII-Epvm 39	December, 2015	December, 2017	Until 11 Mar 2016: Fixed rate 1.624%; after 11 Mar 2016 until 11 Jun 2016: Fixed rate 3.900%; after 11 Jun 2016 until 11 Dec 2016: Fixed rate 6.500%; after 11 Dec 2016 until 11 Dec 2017: Fixed rate 3.250%	260	246
BCP Rend E Part Zona Eur Autoc-Epvm Sr. 40	January, 2016	January, 2019	Indexed to EuroStoxx	1,730	1,593

(continues)

(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Reemb Parc Eur Ind II Eur-Epvm Sr41	February, 2016	February, 2018	Until 4 May 2016: Fixed rate 1.752%; after 4 May 2016 until 4 Aug 2016: Fixed rate 4.200%; after 4 Aug 2016 until 4 Feb 2017: Fixed rate 7.000%; after 4 Feb 2017 until 6 Feb 2018: Fixed rate 3.5196%	268	238
BCP Inv Eur-Acoes Autoc II Eur-Epvm 42	February, 2016	February, 2019	Indexed to EuroStoxx 50 index	1,750	1,772
BCP Inv Acoes Zona Eur III-Epvm 43	March, 2016	April, 2018	Indexed to EuroStoxx 50 index	1,700	1,834
BCP Valor Acoes Zona Eur Autoc V-Epvm Sr. 44	May, 2016	May, 2019	Indexed to a portfolio of 2 indexes	1,750	1,730
Acoes Zona Eur Retor Trim VI/16 Eur-Epvm Sr. 45	June, 2016	June, 2017	Indexed to EuroStoxx 50 index	2,200	2,246
Inv Setor Farmac Autocal VII-Epvm Sr. 46	July, 2016	July, 2019	Indexed to EuroStoxx HealthCare Index	1,120	1,111
Inv Euro Acoes Autoc XI Eur-Epvm47	November, 2016	November, 2018	Indexed to EuroStoxx 50 index	1,490	1,438
BCP Rend Fixo Eur Telec Autoc XII/16-Epvm48	December, 2016	December, 2018	Fixed rate of 6%	1,460	1,427
					196,581
ACCRUALS					3,566
					200,147

This balance, excluding accruals, as at 31 December 2016, is analysed by the remaining period, as follows:

(Thousands of Euros)

	2016					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 year	Total
DEBT SECURITIES AT AMORTISED COST						
Bonds	92,394	131,823	156,827	287,420	1,994	670,458
Covered bonds	-	926,828	-	-	-	926,828
MTNs	339,372	-	-	-	-	339,372
	431,766	1,058,651	156,827	287,420	1,994	1,936,658
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,403	7,020	8,732	21,554	-	38,709
MTNs	-	-	-	157,872	-	157,872
	1,403	7,020	8,732	179,426	-	196,581
CERTIFICATES	-	-	-	-	585,517	585,517
	433,169	1,065,671	165,559	466,846	587,511	2,718,756

This balance, excluding accruals, as at 31 December 2015, is analysed by the remaining period, as follows:

(Thousands of Euros)

	2015 (restated)					
	Up to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 year	Total
DEBT SECURITIES AT AMORTISED COST						
Bonds	128,472	401,702	179,911	711,487	4,745	1,426,317
Covered bonds	-	-	381,168	950,126	-	1,331,294
MTNs	12,925	-	-	451,107	-	464,032
	141,397	401,702	561,079	2,112,720	4,745	3,221,643
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,785	4,727	5,829	31,266	-	43,607
MTNs	1,142	-	2,601	156,407	-	160,150
	2,927	4,727	8,430	187,673	-	203,757
CERTIFICATES	-	-	-	-	507,845	507,845
	144,324	406,429	569,509	2,300,393	512,590	3,933,245

33. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Swaps	**528,878**	575,498
Options	**4,186**	68,148
Forwards	**1,419**	1,285
	534,483	644,931
Level 1	**-**	62,211
Level 2	**470,704**	566,212
Level 3	**63,779**	16,508

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 43.

34. PROVISIONS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Provision for guarantees and other commitments (note 20)	**110,601**	57,924
Other provisions for liabilities and charges	**113,032**	95,982
	223,633	153,906

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	**57,924**	230,395
Transfers	**-**	(159,011)
Charge for the year	**52,673**	-
Write-back for the year	**-**	(13,472)
Exchange rate differences	**4**	12
BALANCE ON 31 DECEMBER	**110,601**	57,924

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE ON 1 JANUARY	**95,982**	79,324
Transfers	**13,747**	(12,623)
Charge for the year	**46,169**	29,323
Write-back for the year	**(11,270)**	-
Loans charged-off	**(31,596)**	(42)
BALANCE ON 31 DECEMBER	**113,032**	95,982

The Other provisions were based on the probability of occurrence of certain contingencies related to risks inherent to the Bank's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 46,698,000 (31 December 2015: Euros 39,078,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty

35. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Bonds		
Non Perpetual Bonds	**608,934**	668,440
Perpetual Bonds	**88,478**	87,672
CoCos	**703,421**	759,813
	1,400,833	1,515,925
Accruals	**15,202**	14,265
	1,416,035	1,530,190

The balance Subordinated debt – CoCos corresponds to hybrids subordinated debt instruments that qualify as core tier 1 capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Throughout 2014 and following the capital increase and the assessment of the evolution of capital ratios, the Bank repaid in May the amount of Euros 400,000,000 of core tier 1 capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

Under the Restructuring Plan approved by the European Commission following the injection of State funds in June 2012, Banco Comercial Português, S.A. became bound to a compromise catalogue that includes the need to sell its holding in Bank Millennium S.A. (Poland) if outstanding core tier 1 hybrid capital instruments subscribed by the Portuguese State ("CoCos") exceed Euros 700,000,000 as at 31 December 2016.

Banco Comercial Português, S.A. thereby informs that it will repay Euros 50,000,000 of CoCos up to 31 December 2016, thus meeting once again the deadlines established under the CoCos repayment plan agreed with the European Commission.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. Following the restructuring process agreed with DGComp, the Bank assumed certain commitments described in note 49. These instruments are eligible for prudential effects as core tier 1. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As referred in note 54, the Bank has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700,000,000.

As at 31 December 2016, the characteristics of subordinated debt issued are analysed as follows:

(Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
NON PERPETUAL BONDS					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018(i)	See reference(viii)	73,785	73,785
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018(ii)	See reference(viii)	20,741	20,741
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020(iii)	See reference(ix)	16,294	16,294
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020(iv)	See reference(x)	9,409	9,409
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.750%	114,000	114,000
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.750%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.750%	35,000	35,000
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,011
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	53,933
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	42,675
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	28,260
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	14,490
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	23,730
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	52,485
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	25,650
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	26,371
					608,934
PERPETUAL BONDS					
Obrigações Caixa Perpétuas Subord 2002/19Jun2012	June, 2002	See reference (v)	See reference(xi)	95	95
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.900%	23,216	23,216
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.250%	5,548	5,548
BCP – Euro 500 millions	June, 2004	-	See reference(xii)	43,968	43,782
Subord.debt BCP Finance Company	October, 2005	-	See reference(xiii)	15,942	15,837
					88,478
COCOS					
BCP Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference(xiv)	700,000	703,421
ACCRUALS					15,202
					1,416,035

References:

Date of exercise of the next call option – The first date is considered after the end of the restructuring period (31 December 2017). Subject to prior Approval of the Supervisory Authorities.

(i) March, 2018
(ii) April, 2018
(iii) June, 2018
(iv) February, 2018
(v) March, 2018
(vi) June, 2018
(vii) March, 2018

Interest rate

(viii) 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(ix) Until the 5th year Fixed rate 3.250%; 6th year and following years Euribor 6M + 1.000%;
(x) 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%;
(xi) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(xii) Until June 2014 fixed rate of 5.543%; After June 2014 Euribor 6M + 2.070%;
(xiii) Until October 2015 fixed rate of 4.239%; After October 2015 Euribor 3M + 1.950%;
(xiv) 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

As at 31 December 2015, the characteristics of subordinated debt issued are analysed as follows:

(Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
NON PERPETUAL BONDS					
Emp. sub. BCP Finance Bank	December, 2006	December, 2016	See reference[viii]	71,259	71,260
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018[i]	See reference[ix]	73,785	73,785
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018[ii]	See reference[ix]	20,741	20,741
Bcp Ob Sub Jun 2020 – Emtn 727	June, 2010	June, 2020[iii]	See reference[x]	16,294	16,294
Bcp Ob Sub Aug 2020 – Emtn 739	August, 2010	August, 2020[iv]	See reference[xi]	9,409	9,409
Bcp Ob Sub Mar 2021 – Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.750%	114,000	114,000
Bcp Ob Sub Apr 2021 – Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.750%	64,100	64,100
Bcp Ob Sub 3S Apr 2021 – Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.750%	35,000	35,000
Bcp Sub 11/25.08.2019 – Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,122
Bcp Subord Sep 2019 – Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	52,176
Bcp Subord Nov 2019 – Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	40,887
Bcp Subord Dec 2019 – Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	26,527
Mill Bcp Subord Jan 2020 – Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	13,488
Mbcp Subord Feb 2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	22,654
Bcp Subord Apr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	50,311
Bcp Subord 2 Serie Apr 2020 – Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	24,545
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	25,141
					668,440
PERPETUAL BONDS					
Obrigações Caixa Perpétuas Subord 2002/19Jun2012	June, 2002	See reference[v]	See reference[xii]	93	93
TOPS BPSM 1997	December, 1997	See reference[vi]	Euribor 6M + 0.900%	23,025	23,025
BCP Leasing 2001	December, 2001	See reference[vii]	Euribor 3M + 2.250%	5,436	5,436
BCP – Euro 500 millions	June, 2004	-	See reference[xiii]	43,968	43,501
Subord.debt BCP Finance Company	October, 2005	-	See reference[xiv]	15,942	15,617
					87,672
COCOS					
BCP Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference[xv]	750,000	759,813
ACCRUALS					14,265
					1,530,190

References:

Date of exercise of the next call option – The first date is considered after the end of the restructuring period (31 December 2017). Subject to prior Approval of the Supervisory Authorities.

[i] March, 2018
[ii] April, 2018
[iii] June, 2018
[iv] February, 2018
[v] March, 2018
[vi] June, 2018
[vii] March, 2018

Interest rate

[viii] Until December 2011 Euribor 3M + 0.335%; After December 2011 Euribor 3M + 0.800%;
[ix] 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
[x] Until the 5th year Fixed rate 3.250%; 6th year and following years Euribor 6M + 1.000%;
[xi] 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%;
[xii] Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
[xiii] Until June 2014 fixed rate of 5.543%; After June 2014 Euribor 6M + 2.070%;
[xiv] Until October 2015 fixed rate of 4.239%; After October 2015 Euribor 3M + 1.950%;
[xv] 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

The analysis of the subordinated debt by remaining period is as follows:

(Thousands of Euros)

	2016	2015 (restated)
3 to 6 months	**703,421**	-
Up to 1 yer	**-**	71,260
1 to 5 year	**608,934**	1,143,893
Over 5 years	**-**	213,100
Undetermined	**88,478**	87,672
	1,400,833	1,515,925
Accruals	**15,202**	14,265
	1,416,035	1,530,190

36. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Creditors:		
Suppliers	**19,283**	22,335
From factoring operations	**13,717**	12,117
Deposit account applications	**16,165**	34,939
For futures and options transactions	**6,517**	4,485
Obligations not covered by the Group Pension Fund – amounts payable by the Group	**45,604**	73,707
Other creditors	**54,366**	59,548
Public sector	**27,078**	37,905
Other amounts payable	**26,857**	18,284
Deferred income	**6,297**	5,799
Holiday pay and subsidies	**41,001**	41,581
Amounts payable on trading activity	**803**	40,621
Operations to be settled – foreign, transfers and deposits	**213,205**	207,209
Other liabilities	**114,948**	103,225
	585,841	661,755

The balance Obligations not covered by the Group Pension Fund – amounts payable by the Bank includes the amount of Euros 20,962,000 (31 December 2015: Euros 45,368,000) related to the seniority premium, as described in note 44.

Additionally, this balance includes the amount of Euros 17,416,000 (31 December 2015: Euros 19,858,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees.

This caption also includes the amount of Euros 3,837,000 (31 December 2015: Euros 4,245,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 44. These obligations are not covered by the Pension Fund and therefore, correspond to amounts payable by the Bank.

The caption Amounts payable on trading activity includes amounts payable within three business days of stock exchange operations.

37. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

As at 31 December 2016, the Bank's share capital amounts to Euros 4,268,817,689,20 and is represented by 944,624,372 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

In November 2016, and in accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado (Luxembourg) S.à.r.l. (entity in the Fosun Group) at a subscription price of Euros 1.1089 per new share.

In October 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion. Thus, BCP's share capital at that date, in the amount of Euros 4,094,235,361.88, was represented by 787,186,977 shares.

Following the authorization given in the Annual General Meeting of Shareholders of 11 May 2015, the Bank carried out an increase in its share capital from Euros 3,706,690,253.08 to Euros 4,094,235,361.88, by the issuance of 4,844,313,860 new ordinary, book-entry shares without nominal value, as a result of the partial and voluntary public tender offer for the acquisition of securities (preferred shares, perpetual securities and subordinated bonds) for exchange of new ordinary shares issued at the issue price of Euros 0.0834 per share (of which Euros 0.08 corresponds to the unitary issue value and Euros 0.0034 to share premium) and listing of the new ordinary shares on Euronext Lisbon Regulated Market.

The issue price or value of the Public Exchange Offer was calculated using the volume weighted average quotation of BCP in the last five days applying a discount of 7%. The difference between the issue price (Euros 0.0834 per share), and the issue value (Euros 0.08 per share), resulted in a share premium of Euros 16,470,667.11.

In July 2015, the majority of the preference shares were exchanged for new debt instruments. As at 31 December 2015 and 30 September 2016, the balance preference shares amounts to Euros 59,910,000.

The preference shares includes two issues by BCP Finance Company Ltd which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:
- 439,684 preference shares with par value of Euros 100 each, perpetual without voting rights in the total amount of Euros 43,968,400, issued on 9 June 2004;
- 15,942 preference shares with par value of Euros 1,000 each, perpetual without voting rights, in the total amount of Euros 15,942,000, issued on 13 October 2005.

The balance other equity instruments, in the amount of Euros 2,922,000 includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of Euros 1,000 each.

Banco Comercial Português, S.A. issued on 29 June 2012 hybrids subordinated debt instruments qualified as core tier 1 capital, (CoCos) fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Under the Restructuring Plan approved by the European Commission following the injection of State funds in June 2012, Banco Comercial Português, S.A. (BCP) became bound to a compromise catalogue that includes the need to sell its holding in Bank Millennium S.A. (Poland) if outstanding core tier 1 hybrid capital instruments subscribed by the Portuguese State ("CoCos") exceed Euros 700 million as at 31 December 2016.

Thus, the Bank reimbursed Euros 50,000,000 of core tier 1 hybrid instruments (CoCos) during the month of December 2016, thus meeting once again the deadlines established under the CoCos repayment plan agreed with the European Commission.

On 9 February 2017, BCP reimbursed the remaining CoCos to the Portuguese State in the amount of Euros 700 million. This repayment, which marks the return to the normalization of BCP's activity, had previously been approved by the European Central Bank, subject to the success of the capital increase that BCP concluded on that date.

These instruments are eligible for prudential effects as core tier 1. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled. Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

Pursuant to the conditions of the issue of core tier 1 Capital Instruments underwritten by the State, under Law no. 63-A/2008 and Implementing Order no. 150-A/2012 (CoCos), the Bank cannot distribute dividends until the issue is fully reimbursed.

As at 31 December 2016, shareholders holding individually or together with their affiliates, 2% or more of the share capital of the Bank, is as follows:

Shareholder	Number of shares	% share capital	% voting rights
Fosun Group – Chiado (Luxembourg) S.a.r.l.	157,437,395	16.67%	16.67%
Sonangol Group – Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	140,454,871	14.87%	14.87%
EDP Group			
EDP Pension Fund(*)	19,939,423	2.11%	2.11%
Voting rights held by members of the Management and Supervisory bodies(**)	406,344	0.04%	0.04%
TOTAL QUALIFIED SHAREHOLDINGS	318,238,033	33.69%	33.69%

(*) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.
(**) According to the information of 30 June 2016, adjusted by the stock reinstatement operation executed on 24 October 2016.

As referred in note 54, Banco Comercial Português, S.A. has resolved on 9 January 2017 to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value (the "Rights Offering"). The resulting number of ordinary shares will be 15,113,989,952.

Following this capital increase, shareholders who hold individually or jointly 2% or more of the capital of the Bank are the following:

Shareholders	Number of shares	% share capital	% voting rights
Fosun Group – Chiado (Luxembourg) S.à.r.l.	3,615,709,715	23.92%	23.92%
Sonangol Group – Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	2,303,640,891	15.24%	15.24%
EDP Group – EDP Pension Fund(*)	318,918,339	2.11%	2.11%
Norges Bank, directly	315,290,240	2.09%	2.09%
TOTAL QUALIFIED SHAREHOLDING	6,553,559,185	43.36%	43.36%

(*) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.

38. LEGAL RESERVE

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. According to the proposed application of the 2015 annual results approved at the General Meeting of Shareholders on 21 April 2016, the Bank increased its legal reserve in the amount of Euros 22,605,000.

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

39. FAIR VALUE RESERVES, OTHER RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
FAIR VALUE RESERVES		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**(138,490)**	85,340
Loans represented by securities(*)	**-**	(15)
Financial assets held to maturity(*)	**(703)**	(955)
Cash-flow hedge	**77,361**	1,876
	(61,832)	86,246
TAX		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**41,318**	(24,613)
Loans represented by securities	**-**	4
Financial assets held to maturity	**207**	282
Cash-flow hedge	**(22,768)**	(553)
	18,757	(24,880)
FAIR VALUE RESERVE NET OF TAXES	**(43,075)**	61,366
Actuarial losses (net of taxes)	**(2,552,971)**	(2,321,972)
Legal reserve	**215,875**	193,270
Statutory reserve	**30,000**	30,000
Other reserves and retained earning	**2,444,197**	2,387,893
RESERVES AND RETAINED	**137,101**	289,191

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subjected to reclassification.

The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash-flow hedge, in accordance with the accounting policy presented in note 1 c).

The changes occurred, during 2016, in Fair value reserves for loans represented by securities, financial assets available for sale and financial assets held to maturity, are analysed as follows:

(Thousands of Euros)

	2016					
	Balanace on 1 January	Tranfers	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	(90,822)	-	(125,635)	-	(8,713)	(225,170)
Visa Europe Limited	18,276	-	8,539	-	(26,353)	462
Others	156,916	-	(305,657)	294,983	(60,727)	85,515
	84,370	-	(422,753)	294,983	(95,793)	(139,193)

The changes occurred, during 2015, in Fair value reserves for loans represented by securities, financial assets available for sale and financial assets held to maturity, are analysed as follows:

(Thousands of Euros)

	2015 (restated)					
	Balanace on 1 January	Tranfers	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	20,817	282,216	(82,214)	-	(311,641)	(90,822)
Visa Europe Limited	-	-	18,276	-	-	18,276
Others	138,034	-	(64,611)	96,532	(13,039)	156,916
	158,851	282,216	(128,549)	96,532	(324,680)	84,370

40. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Guarantees granted (note 20)	**3,957,491**	4,131,930
Guarantees received	**22,728,790**	24,335,007
Commitments to third parties	**5,482,747**	5,507,113
Commitments from third parties	**10,612,792**	11,310,949
Securities and other items held for safekeeping on behalf of customers	**47,220,565**	125,913,872
Securities and other items held under custody by the Securities Depository Authority	**51,379,618**	131,229,816
Other off balance sheet accounts	**124,438,693**	127,309,381

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
GUARANTEES GRANTED:		
Guarantees	**2,866,166**	2,985,233
Stand-by letters of credit	**46,181**	66,474
Open documentary credits	**366,707**	290,967
Bails and indemnities	**394,677**	427,581
Other liabilities	**283,760**	361,675
	3,957,491	4,131,930
COMMITMENTS TO THIRD PARTIES:		
Irrevocable commitments		
Irrevocable credit lines	**612,612**	528,441
Other irrevocable commitments	**113,339**	123,627
Revocable commitments		
Revocable credit lines	**4,092,675**	4,043,469
Bank overdraft facilities	**664,121**	811,576
	5,482,747	5,507,113

The guarantees granted by the Bank may be related to loans transactions, where the Bank grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow. The estimated liabilities are recorded under provisions (note 34).

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short-term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in the accounting policy in note 1 b). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals. Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

41. ASSETS UNDER MANAGEMENT AND CUSTODY

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management and custody are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Assets under deposit	43,457,096	122,359,479
Welth management	2,220,048	1,915,490
	45,677,144	124,274,969

42. RELEVANT EVENTS OCCURRED DURING 2016

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded, on 21 April 2016, the Annual General Meeting of Shareholders, with 44.76% of the share capital represented and the following resolutions:

Item One – Approval of the separate and consolidated annual reports, balance sheet and financial statements for 2015;
Item Two – Approval of the proposal for the application of year-end results for 2015;
Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Statutory Auditor;
Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;
Item Five – Election of the External Auditor for the triennial 2016/2018;
Item Six – Election of the Statutory Auditor and his / her alternate for the triennial 2016/2018;
Item Seven – Approval of the acquisition and sale of own shares or bonds;
Item Eight – Approval of the: (i) the renewal of the authorisation granted by paragraph 1 of Article 5 of the Bank's Articles Association; (ii) suppression of the preference rights of shareholders in one or more share capital increases the Board of Directors may decide to carry out;
Item Nine – Approval on the alteration of the articles of association by adding a new nr. 5 to Article 4;
Item Ten – Approval of the regrouping, without decreasing the share capital, of the shares representing the share capital of the Bank. It was approved with a regrouping quotient of 1:75, corresponding to every 75 shares prior to the regrouping 1 share after the regrouping.

Assessment process scenarios for ActivoBank

On 24 February 2015, BCP informed about the process of evaluation of various strategic scenarios that promoted the appreciation of ActivoBank. In March 2016, BCP has decided to select Cabot Square Capital LLP, a financial services specialist private equity firm, to a phase of negotiations on an exclusive basis.

In June 2016, the BCP has completed the process of evaluating various strategic scenarios for recovery ActivoBank, having decided on the maintenance of ActivoBank in BCP Group perimeter depending on its value creation capacity in the context of the expected evolution of the model BCP banking business.

Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

BCP agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., thereby creating the conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

BCP signed, on 8 October 2015, a memorandum of understanding with the main shareholder of Banco Privado Atlântico, S.A. (Global Pactum – Gestão de Ativos, S.A.), to merge Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., resulting in the second-largest private sector bank in terms of loans to the economy, with a market share of approximately 10% by business volume.

According to the terms of the process, BCP will have significant influence over the new entity, and as a result, will be accounted for by the equity method. On 22 April 2016, the public deed for the merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. was executed.

Conversion of loans in Swiss Francs – Bank Millennium S.A. (Poland)

On 15 January 2016 a presidential proposal of legislation aimed at supporting Foreign Currency mortgage borrowers was put forward, however without previous assessment of the impact for the banking sector. According to estimations later announced by the Polish Financial Supervision Authority, the overall direct costs for the polish banking sector could reach PLN 66.9 billion (Euros 15 billion).

On 2 August 2016 another presidential proposal of legislation aimed at supporting Foreign Currency mortgage borrowers was put forward, this time mainly focusing on repayment part of Fureign Currency spreads charged by the Bank. In addition to the above proposal, there are currently three proposals submitted to the Polish parliament. In these circumstances, it is not possible to estimate the impact of potential regulations on the banking sector, however these legislative and regulatory intentions on foreign currency, if implemented and mandatory for banks, could significantly deteriorate the Bank's profitability and capital.

On 10 August the Financial Stability Committee of Poland (CEFP) (composed of the governor of the National Bank of Poland, the Minister of Finance, responsible for the CEFP and the person responsible for the Banking Guarantee Fund), following the initiative of the National Bank of Poland , set up a working group to analyse this issue, which included representatives of the institutions represented in the CEFP.

On 13 January 2017, the CEFP issued Resolution No 14/2017, which included the recommendation of a set of measures to create a framework of encouraging voluntary agreements between banks and customers. The CEFP considers that after the analysis and evaluation of risk related to weight significant part of this loan portfolio, the restructuring of this portfolio should begin. However, this restructuring must be gradually, through negotiation between banks and customers, should be voluntary and should ensure the stability of the financial system.

At this date, it is not possible to assess the impact of this recommendation, but the implementation of some or all of the recommendations may have an impact on banks' results and capital ratios, including Bank Millennium, although it is possible that there may be other compensatory effects.

As at 31 December 2016, the requirements of International Accounting Standard 37 – Provisions, Liabilities and Contingent Assets are not met for recording any provision as it cannot be made a reliable estimate of the possible obligation, and so this situation is being treated as a contingent liability (note 49).

Banking Tax in Poland
In February 2016, was introduced a new special banking tax over the banking sector in Poland, corresponding to an 0.44% annual rate on the balance of total assets less own funds, Polish Treasury bonds and PLN 4 billion (Euros 900 million) tax-exempt amount.

Purchase of Visa Europe Ltd by Visa Inc.
On 21 June 2016, it was completed the purchase proposal of Visa Europe Ltd by Visa Inc. Both BCP and Bank Millennium, as well as SIBS and Unicre, as key members of Visa Europe Ltd, benefited from this transaction, which resulted in a receipt by the sale of shares held in Visa Europe Ltd to Visa Inc., of an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and of a deferred payment to 3 years.

Process of offers to tender notes for purchase
Banco Comercial Português, S.A. (BCP) has launched in February 2016 an invitation of offers to tender notes for purchase to holders of the issues listed below. The invitation is limited to a maximum aggregate purchase amount of Euros 300 million. The purpose of this operation is to manage the financing and capital structure of the Bank.

(Euros)

Issuer	Issue	Outstanding Principal Amount
Banco Comercial Português, S.A	Euros 500,000,000 – 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes")	500,000,000
Magellan Mortgages No. 2 plc	Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	87,870,120
Magellan Mortgages No. 3 plc	Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	396,961,207.50

The process of solicitations of offers ended on 23 February 2016. There were validly tendered for purchase Euros 378,509,996.96 in principal amount outstanding of Notes (Euros 103,100,000 in respect of Senior Notes and Euros 275,409,996.96 in respect of Mortgage Backed Notes issued by Magellan Mortgages No. 2 plc e Magellan Mortgages No. 3 plc). The Bank has decided to accept for purchase Euros 85,326,455.52 (principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

(Euros)

Issuer	Issue	Accepted Outstanding Principal Amount
Banco Comercial Português, S.A	Euros 500,000,000 – 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes")	85,300,000
Magellan Mortgages No. 2 plc	Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	26,455.52
Magellan Mortgages No. 3 plc	Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	0

The settlement date was on 26 February 2016.

Investment proposal received from Fosun Industrial Holdings Limited

Banco Comercial Português, S.A. ("BCP") has received on 30 July 2016, a letter from Fosun Industrial Holdings Limited ("Fosun"), containing a firm proposal for an investment in the share capital of BCP on the terms and conditions set forth in a Proposal Guidelines of Agreement. Fosun proposes to subscribe to a private placement reserved solely to Fosun, to be resolved by BCP's Board pursuant to the approval granted by BCP's shareholders in the General Meeting held on 21 April 2016, through which, at current levels, Fosun would hold a shareholding of around 16.7% of the total share capital of BCP (the "Reserved Capital Increase"). Fosun is also considering increasing its stake through secondary market acquisitions or in the context of future capital increases of BCP, with an aim of potentially increasing Fosun's shareholding to 20%-30% of BCP.

Pursuant to proposal received, the execution of Fosun's investment would be subject to the satisfaction of a number of conditions, including:

– Approval by the banking supervising entity of the acquisition of a qualifying holding by Fosun and completion of meetings and / or discussions with the European Commission;

– Clarification from competent authorities as to no need for a special contribution to and no immediate accounting recognition of potential future contributions to the national Resolution Fund;

– Implementation and registration of the reverse stock split process as approved by the General Meeting on 21 April;

– The subscription price in the Reserved Capital Increase not exceeding Euros 0.02 (with the adjustment resulting from the reverse stock split);

– Approval by the Board of Directors of a proposal to be submitted to the General Meeting in order to increase to 30% the limit to vote counting provided in the by-laws of BCP;

– Approval by the Board of Directors, on the date of subscription and settlement of the Reserved Capital Increase, of the co-optation of at least two new members appointed by Fosun to the Board of Directors, who would also be members of the Executive Committee, with the possibility of the Board of Directors co-opting up to a total of at least five new members appointed by Fosun to the Board of Directors, in the context of, and in proportion to, the increase in Fosun's shareholding in BCP;

– The absence of any material adverse change situations affecting BCP or the proposed transaction.

Recognizing the potential strategic interest of the proposal made by an international investor with Fosun's profile and with a significant presence in the Portuguese market – characteristics capable of contributing a potential for cooperation and sector and geographical development – BCP's Executive Committee decided, in accordance with their fiduciary duties, to swiftly proceed with a careful analysis of the proposal, considering the many positive aspects of the proposed operation, in order to make a decision on opening negotiations and presenting a recommendation to the Board of Directors, as soon as possible.

As at 14 September 2016, the BCP's Board of Directors analysed a recommendation from BCP's Executive Committee concerning the investment proposal received from Fosun on 30 July 2016.

The BCP's Board of Directors welcomed the interest shown by Fosun and discussed main highlights of the likely terms of the investment. The Board of Directors has also requested the Executive Committee to expand negotiations with Fosun and, as soon as matters related to the conditions precedent listed are clarified, to call for the immediate convening of another meeting of the Board of Directors, in any case to be held before the end of September 2016.

As at 28 September 2016, the BCP's Board of Directors acknowledged the substantial progress in the negotiations with Fosun referred in BCP's announcement dated 14 September 2016 and also acknowledged the progress made as long as the fulfilment of several of the conditions precedent to which the proposed investment is subject to is concerned. Conditions yet to be fulfilled for the proposal to become unconditional include approvals by banking supervision authorities.

Regrouping of BCP's shares

Banco Comercial Português informs that, in a meeting convened as at 28 September 2016, and taking into consideration (i) the resolution of the general meeting of shareholders of 21 April 2016, then announced to the market, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, subject to the condition of, and producing its effects with, the entering into force of a legislative amendment and (ii) the publication, on 26 September 2016, of Decree-Law no. 63-A/2016 of 23 September, which enters into force in the day immediately after its publication, its Board of Directors resolved:

a) To confirm, in the terms provided for in the abovementioned resolution of the general meeting of shareholders, that the legal framework of Decree-Law no. 63-A/2016, of 23 September, is in accordance with the company's corporate interest;

b) To subsequently declare the production of effects, on this date of 27 September 2016, of the resolution of the general meeting of shareholders of 21 April 2016, which resolved on the regrouping, without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 (seventy five) shares prior to regrouping corresponding to 1 (one) share after the regrouping, this regrouping being applicable to all the shares, in the same proportion, with a rounding down to the nearest whole number of shares;

c) To set, according to the referred resolution, the date of the production of effects of the regrouping on 24 October 2016, the shareholders being allowed to, until 21 October 2016, and also in accordance with the provisions of the resolution, proceed to the composition of their groups of shares, *inter alia* by means of the purchase and sale of the shares in order to obtain a total number of shares that is a multiple of 75, with a view to the regrouping, a guarantee in the amount corresponding to the maximum amount of the consideration to be attributed, being until such date, granted, or the same amount being deposited;

d) To declare, under the terms of the abovementioned resolution of the general meeting of shareholders and of the provision of articles 23 - E, no. 3 and 188 of the Portuguese Securities Code, that the amount of the consideration in cash to be received by the shareholders for the shares that do not allow the attribution of a whole number of shares is Euros 0,0257 per share, this amount corresponding to the weighted average price of the shares representing the Bank's share capital in the regulated market Euronext Lisbon in the six months period immediately prior to the date of the present resolution and its respective announcement published today;

e) To delegate in any two Directors that are members of the Executive Committee the performance of all execution and ancillary actions of the present resolution.

Resolutions of the General Meeting of Shareholders

Banco Comercial Português, S.A., concluded on 9 November, 2016 with 34.7% of the share capital represented, the General Meeting of Shareholders, with the following resolutions:

Item One – Approval of the maintenance of the voting restrictions foreseen in articles 26 and 25 of the articles of association;

Item Three – Approval of changes to the articles of association by altering the article 2 (1), article 11 (1), article 17 (3), article 21 (1), article 22 (1), article 31 (6), article 35 (2), article 37 (1) and suppression of article 51 (and therefore of Chapter XI - "Transitory Provison");

Item Four – Approval of the increase of the number of members of the Board of Directors.

Before the beginning of the discussion of item two – "To resolve on the alteration of the voting limitations set forth in article 26 (1) of the articles of association and on the consequent alteration of that statutory rule", it was approved the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 21 November 2016.

The 2nd session of the General Meeting of Shareholders occurred on 21 November 2016, to resolve the item two, with 34.7% of the share capital represented, approved the Board of Directors' proposal recommending the suspension of the meeting, to be resumed on 19 December 2016.

The 3rd meeting of the General Meeting of Shareholders occurred on 19 December 2016, shareholders holding 33.5% of the share capital approved the proposal related to item two, regarding the modification of the voting limitations set forth in article 26 (1) of the articles of association.

Subscription of a reserved capital increase by Fosun and signing of a memorandum of understanding

Further to the announcements published on 30 July 2016, 14 September 2016 and 28 September 2016, Banco Comercial Português, S.A. ("BCP" or the "Bank") announces the approval by its Board of Directors of the result of negotiations with Fosun Industrial Holdings Limited ("Fosun") as well as the increase of BCP's share capital, through a private placement.

A. Memorandum of Understanding and Subscription Agreement with Fosun

On 18 November 2016, BCP and Fosun have entered into a Memorandum of Understanding setting out the terms of Fosun's investment in the share capital of BCP ("MoU"), pursuant to which Chiado (Luxembourg) S.à r.l. ("Chiado"), affiliate of Fosun, agreed to invest in BCP through a private placement of 157,437,395 new shares (the "Reserved Capital Increase").

Observing the corporate governance procedures applicable to BCP, and for the current mandate ending in 2017, the MoU provides for the cooptation of:

(i) Two Board members, whose appointment as additional members of the Executive Committee will also be proposed, with one of them to be appointed to the role of an additional Vice-President of the Executive Committee; and

(ii) Subject to Chiado holding at least 23% of the share capital of BCP, three non-executive directors, with one of them to be appointed to the role of Vice-Chairman of the Board of Directors and one proposed as a member of Committee for Nominations and Remunerations.

Considering the synergies and business development opportunities, the MoU foresees subsequent discussions for, on an arms' length basis, and without a commitment on the results, establishing long-term insurance distribution agreements outside of Portugal.

To effect the above, Fosun and Chiado also agreed to a lock-up in respect of the sale of shares subscribed by it under the Reserved Capital Increase for a period of three years from the date of subscription.

Fosun has reaffirmed in the MoU its strong interest to subsequently raise its shareholding in BCP to around 30% of its share capital through primary or secondary market transactions, once the increase of the voting cap to 30% of the share capital is approved.

B. Reserved Capital Increase

In accordance with the resolution of the General Meeting of Shareholders of 21 April 2016 to suppress the pre-emptive right of the shareholders, the Board of Directors of BCP has approved a resolution for the increase of BCP's share capital, from Euros 4,094,235,361.88 to Euros 4,268,817,689.20, by way of a private placement of 157,437,395 new shares offered for subscription by Chiado at a subscription price of Euros 1.1089 per new share.

The above mentioned share capital increase by way of private placement has already been subscribed for by Chiado, and its registry has been requested to the competent Commercial Registry Office on 18 November 2016 and, as such, the current share capital of BCP is now of Euros 4,268,817,689.20, represented by 944,624,372 ordinary, book-entry shares without nominal value.

The new ordinary shares, which admission to trading on "Mercado Regulamentado Euronext Lisbon" will be requested, will entitle their holders to the same rights as those of existing shares.

In accordance with article 17 of the Portuguese Securities Code (Código dos Valores Mobiliários), Banco Comercial Português, S.A. (BCP) has received, on 22 November 2016, a notice from Chiado (Luxembourg) S.à.r.l, informing that by way of a private placement of 157,437,395 new shares subscribed on 18 November 2016, 16.7% of BCP shareholders capital and voting rights.

43. FAIR VALUE

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

Considering the short-term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash-flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash-flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.00% as at 31 December 2016 (31 December 2015: 0.05%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market). As at 31 December 2016, the average discount rate was 0.46% for loans and advances and -0.91% for deposits. As at 31 December 2015 the rates were 1.22% and -0.50%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

These financial instruments are accounted for at fair value. Fair value is based on market prices ("Bid-price"), whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash-flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash-flows such as indexes.

When an optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the applicable volatility areas. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the--counter", are applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content – Reuters and Bloomberg – more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short--term futures. Interest rates for specific periods of the cash-flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash-flows such as indexes.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash-flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used is the one that reflects the Bank's current rates for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date. The average discount rate was 3.65% as at 31 December 2016 and 3.86% as at 31 December 2015. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash-flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group (calculated as the average spread of production of the same instrument over the last three months). This was calculated from the average production of the three most recent months compared to the reporting date. As at 31 December 2016, the average discount rate was 0.72% and as at 31 December 2015 was 0.75%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own debts placed among non institutional costumers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the own commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 8.82% (31 December 2015: 5.74%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 3.00% (31 December 2015: 6.07%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.71% (31 December 2015: 0.75%) for issues placed on the institutional market and 1.02% (31 December 2015: 2.89%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2016 is a positive amount of Euros 24,427,000 (31 December 2015: a positive amount of Euros 82,256,000), and includes a payable amount of Euros 142,000 (31 December 2015: a receivable amount of Euros 46,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2016, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	Currencies			
	EUR	USD	GBP	PLN
1 day	-0.42%	3.48%	0.30%	1.48%
7 days	-0.42%	2.10%	0.50%	1.48%
1 month	-0.41%	1.57%	0.63%	1.56%
2 months	-0.38%	1.42%	0.56%	1.59%
3 months	-0.35%	1.53%	0.61%	1.63%
6 months	-0.26%	1.59%	0.69%	1.71%
9 months	-0.18%	1.72%	0.80%	1.73%
1 year	-0.20%	1.17%	0.86%	1.77%
2 years	-0.16%	1.44%	0.61%	1.92%
3 years	-0.11%	1.66%	0.69%	2.05%
5 years	0.08%	1.95%	0.87%	2.35%
7 years	0.32%	2.14%	1.04%	2.59%
10 years	0.67%	2.32%	1.23%	2.87%
15 years	1.04%	2.48%	1.42%	3.15%
20 years	1.18%	2.54%	1.46%	3.26%
30 years	1.24%	2.57%	1.43%	3.26%

The following table shows the fair value for each class of financial assets and liabilities of the Bank, as at 31 December 2016:

(Thousands of Euros)

	2016				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	790,733	790,733	790,733
Loans and advances to credit institutions					
Repayable on demand	-	-	312,595	312,595	312,595
Other loans and advances	-	-	1,497,180	1,497,180	1,520,092
Loans and advances to customers(i)	-	-	34,028,229	34,028,229	32,239,809
Financial assets held for trading	953,557	-	-	953,557	953,557
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664	146,664
Financial assets available for sale	-	5,959,643	-	5,959,643	5,959,643
Hedging derivatives(ii)	33,347	-	-	33,347	33,347
Held to maturity financial assets	-	-	409,791	409,791	392,414
	1,133,568	5,959,643	37,038,528	44,131,739	42,348,854
Resources from credit institutions	-	-	9,745,520	9,745,520	9,853,570
Resources from customers(i)	2,985,741	-	30,972,228	33,957,969	33,859,052
Debt securities(i)	785,664	-	1,970,180	2,755,844	2,780,271
Financial liabilities held for trading	534,483	-	-	534,483	534,483
Hedging derivatives(ii)	108,313	-	-	108,313	108,313
Subordinated debt(i)	-	-	1,416,033	1,416,033	1,569,732
	4,414,201	-	44,103,961	48,518,162	48,705,421

(i) The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) Includes a portion that is recognized in accordance with reserves in the application of accounting cash-flow hedge.

The following table shows the fair value for each class of financial assets and liabilities of the Bank, as at 31 December 2015:

(Thousands of Euros)

	2015 (restated)				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	539,900	539,900	539,900
Loans and advances to credit institutions					
Repayable on demand	-	-	138,155	138,155	138,155
Other loans and advances	-	-	791,607	791,607	791,435
Loans and advances to customers(i)	-	-	36,385,436	36,385,436	34,553,108
Financial assets held for trading	999,658	-	-	999,658	999,658
Other financial assets held for trading at fair value through results	152,018	-	-	152,018	152,018
Financial assets available for sale	-	6,772,806	-	6,772,806	6,772,806
Hedging derivatives(ii)	39,264	-	-	39,264	39,264
Held to maturity financial assets	-	-	427,363	427,363	423,599
	1,190,940	6,772,806	38,282,461	46,246,207	44,409,943
Resources from credit institutions	-	-	8,280,004	8,280,004	8,437,741
Resources from customers(i)	3,593,761	-	31,556,993	35,150,754	35,776,428
Debt securities(i)	715,598	-	3,264,263	3,979,861	4,062,117
Financial liabilities held for trading	644,931	-	-	644,931	644,931
Hedging derivatives(ii)	40,923	-	-	40,923	40,923
Subordinated debt(i)	-	-	1,530,190	1,530,190	1,436,318
	4,995,213	-	44,631,450	49,626,663	50,398,458

(i) The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) Includes a portion that is recognized in reserves in the application of accounting cash-flow hedge.

The Bank classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded.

When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 – With quotation in active market
In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:
(i) There is a firm daily enforceable quotation for the financial instruments concerned, or;
(ii) There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
(iii) Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 – Valuation methods and techniques based on market data
Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:
(i) Failure to comply with the rules defined for level 1, or;
(ii) They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral exchange ISDAs with Credit Support Annex (CSA), in particular with quite reduced MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant.

Level 3 – Valuation methods and techniques based on data not observable in the market
If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as: financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:
(i) They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
(ii) They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
(iii) They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities / real estate / other investment funds not listed on a regulated market.

- At level 3 are included over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSA), in which credit risk adjustments are determined using non--observable market data (e.g. internal ratings, default probabilities determined by internal models, etc.).

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2016:

(Thousands of Euros)

	2016			
	Valorization techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at Central Banks	790,733	-	-	790,733
Loans and advances to credit institutions				
Repayable on demand	312,595	-	-	312,595
Other loans and advances	-	-	1,520,092	1,520,092
Loans and advances to customers	-	-	32,239,809	32,239,809
Financial assets held for trading	123,423	225,923	604,211	953,557
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664
Financial assets available for sale	3,564,725	429,590	1,965,328	5,959,643
Hedging derivatives	-	33,347	-	33,347
Held to maturity financial assets	54,623	337,791	-	392,414
	4,992,763	1,026,651	36,329,440	42,348,854
Resources from credit institutions	-	-	9,853,570	9,853,570
Resources from customers	-	-	33,859,052	33,859,052
Debt securities	585,517	-	2,194,754	2,780,271
Financial liabilities held for trading	-	470,704	63,779	534,483
Hedging derivatives	-	108,313	-	108,313
Subordinated debt	-	-	1,569,732	1,569,732
	585,517	579,017	47,540,887	48,705,421

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2015:

(Thousands of Euros)

	2015 (restated)			
	Valorization techniques			
	Level 1	Level 2	Level 3	Total
Cash and deposits at Central Banks	539,900	-	-	539,900
Loans and advances to credit institutions				
Repayable on demand	138,155	-	-	138,155
Other loans and advances	-	-	791,435	791,435
Loans and advances to customers	-	-	34,553,108	34,553,108
Financial assets held for trading	218,347	609,055	172,256	999,658
Other financial assets held for trading at fair value through results	152,018	-	-	152,018
Financial assets available for sale	4,271,090	184,727	2,316,989	6,772,806
Hedging derivatives	-	39,264	-	39,264
Held to maturity financial assets	56,591	367,008	-	423,599
	5,376,101	1,200,054	37,833,788	44,409,943
Resources from credit institutions	-	-	8,437,741	8,437,741
Resources from customers	-	-	35,776,428	35,776,428
Debt securities	507,845	-	3,554,272	4,062,117
Financial liabilities held for trading	62,211	566,212	16,508	644,931
Hedging derivatives	-	40,923	-	40,923
Subordinated debt	-	-	1,436,318	1,436,318
	570,056	607,135	49,221,267	50,398,458

For financial assets classified at level 3 recorded in the balance sheet at fair value, the movement occurred during the year 2016 is presented as follows:

(Thousands of Euros)

	Financial assets held for trading	Financial assets available for sale
Balance on 1 January	172,256	2,316,989
GAINS / (LOSSES) RECOGNIZED IN PROFIT OR LOSS		
Results on financial operations	73,244	36,228
Impairment and other provisions	-	(281,452)
Transfers changes in structure	-	691
Transfers between levels	336,353	(12,411)
Purchases	82,341	105,011
Sales, repayments or amortizations	(59,983)	(148,555)
Gains / (losses) recognized in reserves	-	(51,087)
Accruals of interest	-	(86)
Balance as of 31 December	604,211	1,965,328

Non-current assets held for sale and investment properties

The fair value of non-current assets held for sale as at 31 December 2016 amounts to Euros 1,845,379,000 (31 December 2015: Euros 1,427,979,000) and are framed within level 3 of the fair value hierarchy of IFRS 13. There were no transfers between fair value hierarchies in 2016 and 2015.

The fair value of these assets is determined based on valuations carried out by independent appraisers, which incorporate assumptions about the evolution of the real estate market, better use of the property and, when applicable, expectations regarding the development of real estate projects.

The evaluations are based on generally accepted methodologies in the real estate market, namely the market, income and cost method, which are selected by the appraisers according to the specific characteristics of each asset.

44. POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM BENEFITS

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations in accordance with accounting policy described in note 1 v).

As at 31 December 2016 and 2015, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
NUMBER OF PARTICIPANTS		
Pensioners	**16,511**	16,419
Former Attendees Acquired Rights	**3,237**	3,216
Employees	**7,368**	7,546
	27,116	27,181

In accordance with the accounting policy described in note 1 v), the Bank's pension obligation and the respective funding for the Bank based on the projected unit credit method are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
PROJECTED BENEFIT OBLIGATIONS		
Pensioners	1,956,652	1,860,726
Former Attendees Acquired Rights	217,219	206,892
Employees	894,488	1,041,416
	3,068,359	3,109,034
Pension Fund Value	(3,098,124)	(3,130,932)
(NET (ASSETS) / LIABILITIES IN BALANCE SHEET (NOTES 29 AND 36)	(29,765)	(21,898)
ACCUMULATED ACTUARIAL LOSSES AND CHANGING ASSUMPTIONS EFFECT RECOGNISED IN OTHER COMPREHENSIVE INCOME	3,201,231	2,901,391

At 31 December 2016 and 2015, the projected benefit liabilities include Euros 323,268,000 and Euros 310,874,000, respectively, which correspond to Extra-fund liabilities and as such are not covered by the Pension Fund. As of 31 December 2016, these liabilities include Euros 9,603,000 corresponding to responsibilities with the End of Career Award, which resulted from the changes made at the end of 2016 in the Collective Labor Agreement.

The change in the projected benefit obligations is analysed as follows:

(Thousands of Euros)

	2016			2015 (restated)
	Pension benefit obligations	Extra-Fund	Total	Total
BALANCE AS AT 1 JANUARY	2,798,159	310,875	3,109,034	3,102,436
Service cost	(761)	-	(761)	(1,918)
Interest cost / (income)	69,068	7,521	76,589	76,495
ACTUARIAL (GAINS) AND LOSSES				
Not related to changes in actuarial assumptions	21,724	(1,691)	20,033	(638)
Arising from changes in actuarial assumptions	92,613	18,501	111,114	-
Payments	(70,397)	(21,541)	(91,938)	(87,423)
Early retirement programmes and mutually agreed terminations	4,280	-	4,280	6,646
Contributions of employees	8,234	-	8,234	8,557
Changes occurred in the Collective Labour Agreement (ACT)	(178,474)	9,603	(168,871)	-
Transfer to other plans	645	-	645	4,879
Balance at the end of the year	2,745,091	323,268	3,068,359	3,109,034

As at 31 December 2016 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-Fund, amounts to Euros 70,397,000 (31 December 2015: Euros 65,571,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2016, to the amount of Euros 311,996,000 (31 December 2015: Euros 328,543,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2016 amounts to Euros 68,530,000 (31 December 2015: Euros 74,453,000), in order to pay:
(i) Pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
(ii) Pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree-Law no. 12/2006.

Ocidental Vida is 100% owned by Millennium bcp Ageas Group and Ageas Group is 49% owned by the BCP Group.

Changes to ACT occurred in 2016
At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the Workers' Trade Unions, " Federação dos Sindicatos Independentes da Banca"and" Federação Nacional do Sector Financeiro". The new ACT has already been published by the Ministry of Labor in Bulletin of Labor and Employment.

Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new ACT, but did not formalize until 31 December 2016 the acceptance of the amendments to the ACT and, as such, the Bank did not recognize in its 2016 accounts the impact of changes from ACT to employees associates of SBN.

The most relevant changes that occurred in the ACT resulted in a profit of Euros 187,635,000 (of which Euros 18,764,000 do not correspond to benefits post-employment) and can be described as follows:
– Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed but increases at the beginning of each calendar year one month. So in 2017 the retirement age is 66 years and 3 months. It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.
– It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.
– A new benefit and retirement was introduced called the End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority Premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is considered to be a post-employment benefit by which it becomes part of retirement liabilities. As at 31 December 2016, this benefit was not included in the pension fund agreement and as such was considered as Extra-Fund.

In 2016 and 2015, the changes in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE AS AT 1 JANUARY	3,130,932	3,063,737
Expected return on plan assets	72,122	70,789
Actuarial gains and (losses)	(168,693)	(109,308)
Contributions to the Fund	124,050	151,800
Payments	(70,397)	(65,571)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	1,231	5,853
Employees' contributions	8,234	8,557
Transfers to other plans	645	5,075
BALANCE AT THE END OF THE YEAR	3,098,124	3,130,932

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of Euros)

	2016			2015 (restated)		
	Assets with market price in active market	**Remaining**	**Total Portfolio**	Assets whit market price in active market	Remaining	Total Portfolio
Shares	**419,792**	**101,895**	**521,687**	499,670	147,538	647,208
Bonds and other fixed income securities	**1,177,759**	**158,279**	**1,336,038**	1,300,854	4,495	1,305,349
Participations units in investment funds	**-**	**257,137**	**257,137**	55,762	66,902	122,664
Participation units in real estate funds	**-**	**241,636**	**241,636**	-	238,123	238,123
Properties	**-**	**280,302**	**280,302**	-	299,634	299,634
Loans and advances to credit institutions and others	**-**	**461,324**	**461,324**	-	517,954	517,954
	1,597,551	**1,500,573**	**3,098,124**	1,856,286	1,274,646	3,130,932

The caption Shares includes an investment of 2.77% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2016 amounts to Euros 100,620,000. This valuation was determined by the Management Company based on an independent valuation carried out by Achmea solicitation with reference to 31 December 2015 and a subsequent devaluation of the performance of the European insurance sector index.

The balance Properties includes buildings owned by the Fund and used by the Bank's companies which as at 31 December 2016, amounts to Euros 279,626,000 (31 December 2015: Euros 298,958,000), mostly a set of properties called "Taguspark" whose book value as at 31 December 2016 amounts to Euros 267,028,000. This book value was calculated on the basis of valuations performed by independent expert evaluators performed in 2016, whose assumptions considered in these evaluations include the expectation of the Bank to make the renewals of the current lease.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Bonds and other fixed income securities	**128,876**	128,900
Loans and advances to credite institutions and others	**348,815**	520,176
	477,691	649,076

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE AS AT 1 JANUARY	**(21,898)**	38,699
RECOGNISED IN THE INCOME STATEMENT:		
Service cost	**(761)**	(1,918)
Interest cost / (income)	**4,467**	5,706
Cost with early retirement programs	**4,280**	6,646
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**(1,231)**	(5,853)
Changes occurred in the Collective Labour Agreement	**(168,871)**	-
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	**168,693**	109,308
Difference between expected and effective obligations	**20,033**	(638)
Arising from changes in actuarial assumptions	**111,114**	-
CONTRIBUTIONS TO THE FUND	**(124,050)**	(151,800)
PAYMENTS	**(21,541)**	(22,048)
BALANCE AT THE END OF THE YEAR	**(29,765)**	(21,898)

As at 31 December 2015, the sum of the balanes Cost with early retirement programs in the amount of Euros 6,646,000 and Amount transferred to the fund resulting from acquired rights unassigned related to the Complementary Plan, profit of Euros 5,853,000 were recognised against the restructuring provision.

As at 31 December 2016, the Bank made contributions in cash to the Pension Fund in the amount of Euros 124,050,000 (31 December 2015: Euros 151,800,000).

The estimated contributions to be made in 2017, by the Bank and by the employees, for the Defined Benefit Plan amount to Euros 8,058,000 and Euros 19,001,000, respectively.

In accordance with IAS 19, as at 31 December 2016, the Bank accounted post-employment benefits as a gain in the amount of Euros 162,116,000 (31 December 2015: cost of Euros 3,788,000) which is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Service Cost	**(761)**	(1,918)
Net interest cost / (income) in the liability coverage balance	**4,467**	5,706
Cost / (income) with early retirement programs and mutually agreed terminations	**3,049**	-
Changes occurred in the Collective Labour Agreement	**(168,871)**	-
(Income) / Cost of the year	**(162,116)**	3,788

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are increased annually, and as it is not common in the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined, the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Bank has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-Fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Bank recognised a provision of Euros 3,837,000 (31 December 2015: Euros 4,245,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities, are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BALANCE AS AT 1 JANUARY	**4,245**	3,153
Charge / (Write-back)	**(408)**	1,092
BALANCE AT THE END OF THE YEAR	**3,837**	4,245

Considering the market indicators, particularly the inflation rate estimates and the long-term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2016	2015 (restated)
Increase in future compensation levels	**0.25% until 2019 0.75% after 2019**	0,75% until 2017 1% after 2017
Rate of pensions increase	**0% until 2019 0.5% after 2019**	0% until 2017 0.5% after 2017
Projected Fund's rate of return	**2.1%**	2.5%
Mortality tables		
Men[a]	**TV 88 / 90**	TV 73 / 77 – 2 years
Women[b]	**TV 88 / 90 – 3 years**	TV 88 / 90 –3 years
Disability rate	**Non applicable**	Non applicable
Turnover rate	**Non applicable**	Non applicable
Normal retirement age[c]	**66 years and 2 months**	65 years
Rate of growth of total salary	**1.75%**	1%
Revaluation rate of wages / pensions of Social Security	**1%**	0.5%

a) During 2016, it was changed the mortality table used for the male population, from TV 73 / 77-2 years to TV 88 / 90, which means that it is considered a higher life expectancy in male population.
b) The mortality table considered for women corresponds to TV 88 / 90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).
c) The retirement age is variable. In 2016 it is 66 years and 2 months and will increase by 1 month for each calendar year. This age can not be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the estimation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor the maximum age was 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros – related to a diverse and representative range of issuers.

As at 31 December 2015, the Bank used a discount rate of 2.5% to measure its liability for defined benefit pension plans of its employees and managers.

In the financial statements with reference to 31 December 2016, the discount rate were reduced 0.4% to 2.1% (against 31 December 2015) considering the reduction in the level of relevant market interest rates in this context.

The Bank taking into consideration the positive deviations observed in the last financial year and the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.25% by 2019 and 0.75% from 2019 and a growth rate of pensions from 0% by 2019 and 0.50% from 2019.

Net actuarial losses amounts to Euros 299,840,000 (31 December 2015: actuarial losses amounts to Euros 108,670,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values actually verified and the change in actuarial assumptions, are analysed as follows:

(Thousands of Euros)

	Actuarial (gains) / losses			
	2016		2015 (restated)	
	Values effectively verified in %	**Euros '000**	Values effectively verified in %	Euros '000
DEVIATION BETWEEN EXPECTED AND ACTUAL LIABILITIES:	-	**20,033**	-	(638)
CHANGES ON THE ASSUMPTIONS:				
Discount rate	-	**221,742**	-	-
Increase in future compensation levels	-	**(87,125)**	-	-
Pensions increase rate	-	**(39,554)**	-	-
Mortality deviations	-	**24,261**	-	-
Others[*]	-	**(8,210)**	-	-
Return on Plan assets	**-2.62%**	**168,693**	-0.76%	109,308
		299,840		108,670

[*] Change in the methodology for determining the retirement age in accordance with the General Social Security System.

The change in the wage growth assumption includes the effect of changing the growth rate of the pensionable wage and the change in the rate of growth of the total salary used for the purposes of calculating Social Security responsibility.

As at 31 December 2016, actuarial losses not resulting from changes in assumptions amount to Euros 20,033,000.

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of Euros)

	Impact resulting from changes in financial assumptions			
	2016		2015 (restated)	
	- 0.25%	+ 0.25%	- 0.25%	+ 0.25%
Discount rate	**133,085**	**(125,383)**	137,976	(129,552)
Pensions increase rate	**(121,138)**	**159,574**	(129,673)	136,710
Increase in future compensation levels	**(35,331)**	**37,726**	(43,166)	45,327
	Impact resulting from changes in demographic assumptions			
	2016		2015 (restated)	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality table	**72,113**	**(97,080)**	92,120	(92,703)

The sensitivities presented were determined based on the application of the same conditions to the whole population, that is, the affiliates of the "Sindicato dos Bancários do Norte" are considered to have the same plan as the rest. It is considered that this simplification does not materially affect the analysis.

Health benefit costs have a significant impact on pension costs. During 2016, and based on changes in the Collective Labor Agreement (ACT), contributions to the SAMS were fixed, while in 2015, they were 6.5%. Considering this change, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

(Thousands of Euros)

	Positive variation of 1%		Negative variation of 1%	
	2016	2015 (restated)	2016	2015 (restated)
Pension cost impact	**28**	36	**(28)**	(36)
Liability impact	**3,120**	3,239	**(3,120)**	(3,239)

Seniority premium

As at 31 December 2016, the ACT no longer includes the seniority premium, being replaced by the final career premium, which is considered as post-employment benefit and as such is being considered in the calculation of retirement liabilities (extra-fund), as presented previously.

As at 31 December 2016, the liabilities associated with the seniority premium amounts to Euros 20,962,000 (31 December 2015: Euros 45,368,000) being related with payments still to be incurred with reference to the date on which it ceased to be considered benefit, under the terms established in the new wording of the ACT (note 36).

The cost of the seniority premium, for 2016 and 2015, is analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
Service Cost	**2,181**	2,368
Interest Cost	**1,058**	1,124
Others	**(22,003)**	(1,284)
Cost of the year	**(18,764)**	2,208

Defined contribution plan
According to what is described in accounting policy 1 v ii), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in 2016 for employees who have been admitted until 1 July 2009, because the following requirements have not been met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labor Agreement of the BCP Group, and does not have a performance criterion. The Bank accounted as staff costs the amount of Euros 47,000 (2015: Euros 35,000) related to this contribution.

45. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 53 – List of subsidiary and associated companies of Banco Comercial Português S.A., the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under Article 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the shareholders with more than 2% of the share capital or voting rights of Banco Comercial Português, S.A. and individuals related to these categories and entities controlled by them or in whose management they have significant influence. The list of the qualified shareholders is detailed in note 37.

a) Transactions with qualified shareholders, detailed in note 37
As at 31 December 2016, the transactions with qualified shareholders are as follows:

(Thousands of Euros)

	2016	2015 (restated)
ASSETS		
Loans and advances to customers	**215,683**	63,473
Financial assets held for trading	**15,813**	14,410
Financial assets available for sale	**106,390**	109,233
TOTAL	**337,886**	187,116
LIABILITIES		
Resources from credit institutions	-	810
Resources from customers	**359,980**	13,010
TOTAL	**359,980**	13,820

Loans and advances to customers are net of impairment in the amount of Euros 111,000 (31 December 2015: Euros 63,000).

During 2016 and 2015, the balances with qualified shareholders, reflected in the consolidated income statement items, are as follows:

(Thousands of Euros)

	2016	2015 (restated)
INCOME		
Interest and similar income	**7,057**	5,312
Commissions income	**2,242**	2,078
	9,299	7,390
COSTS		
Interest and similar expenses	**469**	839
Commissions expenses	**30**	37
	499	876

As at 31 December 2016 and 2015, the balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows

(Thousands of Euros)

	2016	2015 (restated)
Guarantees granted	**30,378**	39,556
Revocable credit lines	**201,251**	53,971
Irrevocable credit lines	**-**	150,000
	231,629	243,527

b) Transactions with members of the Board of Directors and Key management members

As at 31 December 2016 and 2015, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of Euros)

	2016		
	Loans and advances to customers	Financial assets held for trading	Loans and advances to credit institutions
BOARD OF DIRECTORS			
Non-executive directors	20	-	-
Executive Committee	139	-	-
Closely related people	13	-	-
Controlled entities	-	844	2,840
KEY MANAGEMENT MEMBERS			
Key management members	7,255	-	-
Closely related people	250	-	-
Controlled entities	196	-	-
	7,873	844	2,840

(Thousands of Euros)

	2015 (restated)		
	Loans and advances to customers	Financial assets held for trading	Loans and advances to credit institutions
BOARD OF DIRECTORS			
Non-executive directors	26	-	-
Executive Committee	159	-	-
Closely related people	20	-	-
Controlled entities	-	27	105.067
KEY MANAGEMENT MEMBERS			
Key management members	6.950	-	-
Closely related people	272	-	-
Controlled entities	302	-	-
	7.729	27	105.067

As at 31 December 2016 and 2015, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

(Thousands of Euros)

	Resources from credit institutions		Resources from customers		Financial Liabilities (Derivatives)	
	2016	2015 (restated)	**2016**	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**1,593**	3,454	**-**	-
Executive Committee	**-**	-	**1,094**	1,336	**-**	-
Closely related people	**-**	-	**1,663**	1,825	**-**	-
Controlled entities	**16,858**	39,510	**452**	3,846	**1,053**	9
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**1,757**	3,152	-	-
Closely related people	-	-	**3,412**	1,327	-	-
Controlled entities	**-**	-	**904**	174	-	-
	16,858	39,510	**10,875**	15,114	**1,053**	9

As at 31 December 2016 and 2015, the balances with related parties discriminated in the following table, included in income items of the income statement, are as follows:

(Thousands of Euros)

	Interest and similar income		Commissions income	
	2016	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS				
Non-executive directors	**-**	-	**81**	99
Executive Committee	**-**	-	**27**	21
Closely related people	**-**	-	**22**	19
Controlled entities	**6**	1,087	**156**	513
KEY MANAGEMENT MEMBERS				
Key management members	**52**	59	**64**	49
Closely related people	**9**	10	**34**	13
Controlled entities	**6**	4	**10**	10
	73	1,160	**394**	724

As at 31 December 2016 and 2015, the balances with related parties discriminated in the following table, included in cost items of the income statement, are as follows:

(Thousands of Euros)

	Interest and similar expense		Commissions expense	
	2016	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS				
Non-executive directors	**11**	39	**2**	2
Executive Committee	**5**	17	**1**	1
Closely related people	**10**	20	**1**	1
Controlled entities	**104**	142	**1**	13
KEY MANAGEMENT MEMBERS				
Key management members	**52**	97	**2**	2
Closely related people	**8**	14	**2**	1
Controlled entities	**1**	4	**2**	3
	191	333	**11**	23

As at 31 December 2016 and 2015, revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of Euros)

	Revocable credit lines		Irrevocable credit lines	
	2016	2015 (restated)	**2016**	2015 (restated)
BOARD OF DIRECTORS				
Non-executive directors	**109**	126	**-**	-
Executive Committee	**95**	124	**-**	-
Closely related people	**132**	126	**-**	-
Controlled entities	**25**	55	**-**	-
KEY MANAGEMENT MEMBERS				
Key management members	**376**	515	**39**	74
Closely related people	**247**	172	**-**	-
Controlled entities	**16**	14	**-**	-
	1,000	1,132	**39**	74

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

(Thousands of Euros)

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016	2015 (restated)	**2016**	2015 (restated)	**2016**	2015 (restated)
Remunerations	**1,922**	2,073	**526**	578	**5,260**	5,394
Supplementary retirement pension	**702**	1,205	**-**	-	**-**	-
Pension Fund	**28**	19	**-**	-	**51**	61
Other mandatory social security charges	**484**	531	**124**	137	**1,466**	1,479
Seniority premium	**-**	44	**-**	-	**211**	143
	3,136	3,872	**650**	715	**6,988**	7,077

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During 2016, the amount of remuneration paid to the Executive Committee, includes Euros 158,000 (2015: Euros 103,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, of which Euros 63,000 are related to 2015.

During 2016 and 2015, no variable remuneration was attributed to the members of the Executive Committee.

During the 2016, were paid to one key management member, severance payment of Euros 483,000 (2015: Euros 4,729,000 paid to four members).

The shareholder and bondholder position of members of the Board of Directors, Top management and persons closely related to the previous categories, is as follows:

(Thousands of Euros)

		Number os securities at		Changes during 2016			
Shareholders / Bondholders	Security	**31/12/2016**	31/12/2015	Acquisitions	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
António Vítor Martins Monteiro[i]	BCP Shares	**242**	18,119				
Carlos José da Silva	BCP Shares	**15,544**	1,165,812				
Nuno Manuel da Silva Amado	BCP Shares	**50,996**	3,824,650				
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	**0**	0				
André Magalhães Luiz Gomes	BCP Shares	**712**	53,451				
André Palma Mira David Nunes	BCP Shares	**0**	0				
António Henriques Pinho Cardão[ii]	BCP Shares	**10,304**	772,843				
António Luís Guerra Nunes Mexia	BCP Shares	**151**	11,330				
Cidália Maria Mota Lopes[x]	BCP Shares	**136**	10,247				
Jaime de Macedo Santos Bastos	BCP Shares	**53**	4,037				
João Bernardo Bastos Mendes Resende	BCP Shares	**0**	0				
João Manuel Matos Loureiro	BCP Shares	**175**	13,180				
José Jacinto Iglésias Soares	BCP Shares	**0**	1,156,004		1,156,004[*]	04/May/16	0.0370
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	**278**	20,879				
José Rodrigues de Jesus	BCP Shares	**0**	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	**3,667**	275,002	23		17/Oct/16	0.0155
Miguel de Campos Pereira de Bragança	BCP Shares	**22,873**	1,715,485				
Miguel Maya Dias Pinheiro	BCP Shares	**22,588**	1,694,099	1		17/Oct/16	0.0155
Raquel Rute da Costa David Vunge[iii]	BCP Shares	**0**	0				
Rui Manuel da Silva Teixeira[iv]	BCP Shares	**2,271**	170,389				
KEY MANAGEMENT MEMBERS	BCP Shares						
Albino António Carneiro de Andrade	BCP Shares	**0**	0				
Américo João Pinto Carola[v]	BCP Shares	**503**	37,745				
Ana Isabel dos Santos de Pina Cabral[vi]	BCP Shares	**2,440**	182,953				
Ana Maria Jordão F. Torres Marques Tavares[vii]	BCP Shares	**9,509**	713,055	120		20/Oct/16	0.0179
André Cardoso Meneses Navarro	BCP Shares	**16,743**	1,255,739				
António Augusto Amaral de Medeiros	BCP Shares	**2,666**	200,000				
António Augusto Decrook Gaioso Henriques	BCP Shares	**29,036**	715,938	1,205,276		12/May/16	0.0330
	BCP Shares			256,522		24/May/16	0.0310
António Ferreira Pinto Júnior	BCP Shares	**1,334**	100,000	50		20/Oct/16	0.0180
António Luís Duarte Bandeira[viii]	BCP Shares	**8,000**	500,008	70,000		04/Jul/16	0.0318
	BCP Shares			29,992		28/Sept/16	0.0155
Artur Frederico Silva Luna Pais	BCP Shares	**20,047**	1,503,611				
Belmira Abreu Cabral	BCP Shares	**1,206**	90,458				
Carlos Alberto Alves	BCP Shares	**6,666**	500,002				
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	**1,833**	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	**1,911**	143,335				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	**0**	0				
Francisco António Caspa Monteiro	BCP Shares	**2,965**	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	**3**	275				
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	**142**	10,683				
João Nuno Lima Brás Jorge	BCP Shares	**5,653**	424,069				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	**100**	7,518				
Jorge Manuel Machado de Sousa Góis	BCP Shares	**0**	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	**28,600**	4,080,000		25,800	20/Dec/16	1.136979

[*] Donation.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories".

As described in note 37, Banco Comercial português, S.A. has regrouped without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 shares prior to regrouping corresponding to 1 share after the regrouping, this regrouping being applicable to all the shares, in the same proportion.

		Number of securities at		Changes during 2016			
Shareholders / Bondholders	Security	31/12/2016	31/12/2015	Acquisitions	Disposals	Data	Unit Price Euros
José Laurindo Reino da Costa(ix)	BCP Shares	**12,433**	82,500	850,000		26/Jun/16	0.0173
Luis Miguel Manso Correia dos Santos	BCP Shares	**1,333**	100,000				
Maria Manuela Correia Duro Teixeira	BCP Shares	**0**	0				
Maria Manuela de Araujo Mesquita Reis	BCP Shares	**6,666**	390,000	10,000		19/Jan/16	0.0390
				50,000		20/Jan/16	0.0318
				50,000		13/Jun/16	0.0206
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	**0**	0				
Mário António Pinho Gaspar Neves	BCP Shares	**1,855**	139,000				
	Certificates BCPI S6P 500	**0**	193		193	16/Nov/16	21.71
	Certificates BCPI Eurostox 50	**187**	187				
	Certificates BCPI DAX 30	**55**	55				
	Certificates BCP Nikkei	**0**	11		11	17/Nov/16	178.00
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	**15,300**	1,020,710	126,790		27/Sept/16	0.0160
Miguel Filipe Rodrigues Ponte	BCP Shares	**221**	16,614				
Nelson Luís Vieira Teixeira	BCP Shares	**285**	21,420				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	**1,800**	135,000				
Pedro José Mora de Paiva Beija	BCP Shares	**0**	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	**0**	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	**926**	69,412				
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	**0**	0				
Ricardo Potes Valadares	BCP Shares	**1,373**	102,986				
Robert Gijsbert Swalef	BCP Shares	**2,999**	225,000				
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	**1,205**	90,342				
Rui Fernando da Silva Teixeira	BCP Shares	**12,614**	946,059				
Rui Manuel Pereira Pedro	BCP Shares	**9,333**	700,000				
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	**0**	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	**0**	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	**0**	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	**0**	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	**0**	0				
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Alexandre Miguel Martins Ventura(x)	BCP Shares	**137**	0				
Ana Isabel Salgueiro Antunes(v)	BCP Shares	**29**	2,217				
Ana Margarida Rebelo A.M. Soares Bandeira(viii)	BCP Shares	**186**	14,000				
Eusébio Domingos Vunge(iii)	BCP Shares	**691**	51,859				
	Certificates BCPI DAX 30	**100**	100				
	Certificates BCPI Eurostox 50	**142**	142				
Francisco Jordão Torres Marques Tavares(vii)	BCP Shares	**62**	4,586				
Isabel Maria V. Leite P Martins Monteiro(i)	BCP Shares	**195**	14,605				
João Paulo Fernandes de Pinho Cardão(ii)	BCP Shares	**4,546**	340,970				
José Manuel de Vasconcelos Mendes Ferreira(vi)	BCP Shares	**167**	12,586				
Luís Miguel Fernandes de Pinho Cardão(ii)	BCP Shares	**194**	14,550				
Maria Avelina V. C. L. J. Teixeira Diniz(viii)	BCP Shares	**2,434**	182,528				
Maria da Graça dos Santos Fernandes de Pinho Cardão(ii)	BCP Shares	**383**	28,833				
Maria Helena Espassandim Catão(iv)	BCP Shares	**36**	2,750				
Maria Raquel Sousa Candeias Reino da Costa(ix)	BCP Shares	**18**	1,420				

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories".

As described in note 37, Banco Comercial Português, S.A. has regrouped without decrease of the share capital, of the shares representing the Bank's share capital, by applying a regrouping quotient of 1:75, every 75 shares prior to regrouping corresponding to 1 share after the regrouping, this regrouping being applicable to all the shares, in the same proportion.

c) Transactions with associated companies

As at 31 December 2016, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of Euros)

	Loans and advances to credit institutions							
	Repayable on demand	Other loans advances	Loans and advances to customers	Financial assets held for trading	Financial assets held for sale	Non-current assets held for sale	Other assets	Total
Banco ActivoBank, S.A.	-	-	-	-	-	-	5	5
Banco de Investimento Imobiliário, S.A.	-	934,137	-	17,220	-	-	17,715	969,072
Banco Millennium Atlântico, S.A.	980	237,536	-	43	-	-	-	238,559
BCP Finance Bank Ltd	-	-	-	-	52,426	-	-	52,426
BCP Investment, B.V.	-	-	58,413	-	-	-	-	58,413
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	-	-	-	-	9,495	-	9,495
BIM – Banco Internacional de Moçambique, S.A.R.L.	187	-	-	-	-	-	3,975	4,162
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Finalgarve- Sociedade de Promoção Imobiliária Turística, S.A.	-	-	-	-	-	19,731	-	19,731
Fiparso – Sociedade Imobiliária Lda.	-	-	-	-	-	2,086	-	2,086
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	588	588
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	217	217
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	4	4
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Bank Millennium (Poland Group)	207	-	-	12	-	-	-	219
Imábida – Imobiliária da Arrábida, S.A.	-	-	-	-	-	38,477	-	38,477
Imoport – Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2

(continues)

(continuation) (Thousands of Euros)

	Loans and advances to credit institutions							
	Repayable on demand	Other loans advances	Loans and advances to customers	Financial assets held for trading	Financial assets held for sale	Non-current assets held for sale	Other assets	Total
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	35	35
Irgossai – Urbanização e construção, S.A.	-	-	-	-	-	92,368	-	92,368
Magellan Mortgages No. 2 PLC	-	-	-	-	18,504	-	-	18,504
Magellan Mortgages No. 3 PLC	-	-	-	5,983	116,771	-	-	122,754
Millenniumbcp Ageas Grupo Segurador,S.G.P.S., S.A. (Group)	-	-	5,649	73,468	-	-	12,617	91,734
Millennium bcp Bank & Trust	-	-	-	3,856	-	-	-	3,856
Millennium bcp – Prestação de Serviços, A.C.E.	-	-	-	-	-	-	18,901	18,901
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	57,195	57,195
Millennium bcp Participações, S.G.P.S.,Sociedade Unipessoal, Lda.	-	-	-	599	-	-	305,583	306,182
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	-	-	-	-	-	9	9
MR – Fundo Especial de Investimento Imobiliário Fechado	-	-	15	-	-	-	16	31
Mundotêxtil – Indústrias Têxteis, S.A.	-	-	6,326	-	-	-	-	6,326
MULTI 24 – Sociedade Imobiliária, S.A.	-	-	9,824	-	-	-	-	9,824
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	-	1,074	-	-	-	3	1,077
Nanium, S.A.	-	-	18,866	-	-	-	13,621	32,487
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	-	-	-	-	-	-	13,535	13,535
Setelote – Aldeamentos Turísticos, S.A.	-	-	-	-	-	13,000	-	13,000
UNICRE – Instituição Financeira de Crédito, S.A.	-	10,571	14	-	-	-	-	10,585
Webspectator Corporation	-	-	-	-	-	18,272	-	18,272
	1,374	1,182,244	100,181	101,181	187,701	193,429	444,033	2,210,143

As at 31 December 2016, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of Euros)

	Resources from Credit Institutions	Resources from Customers	Debt securities issued	Financial Liabilities held for trading	Subordinated Debt	Other Liabilities	Total
Adelphi Gere, Investimentos Imobiliários, S.A.	-	218	-	-	-	-	218
Banco ActivoBank, S.A.	432,369	-	-	-	-	10,544	442,913
Banco de Investimento Imobiliário, S.A.	167,799	-	-	45,877	28,768	10,085	252,529
Banco Millennium Atlântico, S.A.	85,755	-	-	-	-	-	85,755
Banque BCP (Luxembourg), S.A.	483	-	-	-	-	-	483
Banque BCP, S.A.S.	107,978	-	-	-	-	-	107,978
Banque Privée BCP (Suisse) S.A.	12,172	-	-	-	-	-	12,172
BCP África, S.G.P.S., Lda.	-	42,132	-	-	-	-	42,132
BCP Capital – Sociedade de Capital de Risco, S.A.	-	11,355	-	-	-	-	11,355
BCP Finance Bank Ltd	230,954	-	-	1,540	-	-	232,494
BCP Finance Company, Ltd	-	105,958	-	-	69,946	-	175,904
BCP Holdings (USA), Inc.	-	41,013	-	-	-	-	41,013

(continues)

(continuation) (Thousands of Euros)

	Resources from Credit Instituions	Resources from Customers	Debt securities issued	Financial Liabilities held for trading	Subordinated Debt	Other Liabilities	Total
BCP International, B.V.	-	115,782	-	-	-	-	115,782
BCP Investment, B.V.	-	193,550	-	-	-	-	193,550
BIM – Banco Internacional de Moçambique, S.A.R.L.	5,847	-	-	-	-	-	5,847
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	203	-	-	-	-	203
Enerparcela – Empreendimentos Imobiliários, S.A.	-	1,552	-	-	-	-	1,552
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	220	-	-	-	-	220
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	186	-	-	-	-	186
Fundo de Investimento Imobiliário Fechado Gestimo	-	763	-	-	-	-	763
Fundo de Investimento Imobiliário Gestão Imobiliária	-	1,259	-	-	-	-	1,259
Fundo de Investimento Imobiliário Imorenda	-	10,256	-	-	-	-	10,256
Fundo de Investimento Imobiliário Imosotto Acumulação	-	8,585	-	-	-	-	8,585
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	150	-	-	-	-	150
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	234	-	-	-	-	234
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	233	-	-	-	-	233
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,432	-	-	-	-	1,432
Funsita - Fundo Especial de Investimento Imobiliário Fechado	-	1,866	-	-	-	-	1,866
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	280	-	-	-	-	280
Bank Millennium (Poland Group)	141	-	-	-	-	-	141
Imábida – Imobiliária da Arrábida, S.A.	-	82	-	-	-	-	82
Imoport – Fundo de Investimento Imobiliário Fechado	-	3,088	-	-	-	-	3,088
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	4,805	-	-	-	-	4,805
Irgossai – Urbanização e construção, S.A.	-	469	-	-	-	-	469
M Inovação – Fundo de Capital de Risco BCP Capital	-	108	-	-	-	-	108
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	468,968	956,479	66,946	475,222	13	1,967,628
Millennium bcp – Prestação de Serviços, A.C.E.	-	4,321	-	-	-	(2,331)	1,990
Millennium bcp Bank & Trust	102,515	-	-	-	-	-	102,515
Millennium bcp Imobiliária, S.A.	-	797	-	-	-	-	797
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	74,349	-	-	-	-	74,349
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	332	-	-	-	-	332
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	83,581	-	-	-	-	83,581
Mundotêxtil – Indústrias Têxteis, S.A.	-	1,718	-	-	-	-	1,718
MULTI 24 – Sociedade Imobiliária, S.A.	-	79	-	-	-	-	79
Nanium, S.A.	-	7,900	-	-	-	-	7,900
Propaço – Sociedade Imobiliária de Paço D'Arcos, Lda.	-	95	-	-	-	-	95
Sadamora – Investimentos Imobiliários, S.A.	-	322	-	-	-	-	322
S&P Reinsurance Limited	-	2,468	-	-	-	-	2,468
Servitrust – Trust Management Services S.A.	-	618	-	-	-	-	618
SIBS, S.G.P.S., S.A.	-	7,348	-	-	-	-	7,348
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,753	-	-	-	-	1,753
UNICRE – Instituição Financeira de Crédito, S.A.	132	-	-	-	-	-	132
	1,146,145	1,200,428	956,479	114,363	573,936	18,311	4,009,662

As at 31 December 2016, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 8,694,500 BCP shares in the amount of Euros 9,312,000.

As at 31 December 2016, the balances with subsidiary and associated companies included in income items of the income statements are as follows:

(Thousands of Euros)

	Interest and similiar income	Commissions income	Other operating income	Gains arising from trading activity	Total
ACT-C-Indústria de Cortiças, S.A.	1	-	-	-	1
Banco ActivoBank, S.A.	-	-	139	-	139
Banco de Investimento Imobiliário, S.A.	2,575	88	-	31,304	33,967
Banco Millennium Atlântico, S.A.	6,474	192	-	-	6,666
Banque BCP, S.A.S.	-	2	-	-	2
Banque BCP (Luxembourg), S.A.	-	3	-	-	3
Banque Privée BCP (Suisse) S.A.	-	923	129	-	1,052
BCP Finance Bank Ltd	359	-	-	513	872
BCP Investment, B.V.	2,722	-	-	-	2,722
BIM – Banco Internacional de Moçambique, S.A.R.L.	1	46	9,382	-	9,429
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	7	-	-	7
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	8	-	-	8
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	37	-	-	37
Fundo de Investimento Imobiliário Fechado Gestimo	-	24	-	-	24
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	172	-	-	172
Fundo de Investimento Imobiliário Imosotto Acumulação	-	228	-	-	228
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	6
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	305	121	-	426
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	6	-	-	6
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	6	-	-	6
Fundo Especial de Investimento Imobiliário Oceânico II	-	46	-	-	46
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	16
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	22
Bank Millennium (Poland Group)	13	165	-	-	178
Imoport – Fundo de Investimento Imobiliário Fechado	-	24	-	-	24
Magellan Mortgages No. 2 PLC	1,212	155	-	-	1,367
Magellan Mortgages No. 3 PLC	4,214	523	-	-	4,737
Millennium bcp Bank & Trust	-	-	-	1,908	1,908
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	167	52,222	235	-	52,624
Millennium bcp Imobiliária, S.A.	-	20	-	-	20
Millennium bcp – Prestação de Serviços, A.C.E.	-	105	5,900	-	6,005
Millennium Fundo de Capitalização - Fundo de Capital de Risco	-	16	-	-	16
MULTI 24 – Sociedade Imobiliária, S.A.	32	-	-	-	32
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	1	43	-	-	44
Nanium, S.A.	302	138	-	-	440
Sadamora – Investimentos Imobiliários, S.A.	-	13	-	-	13
SIBS, S.G.P.S., S.A.	-	6	-	-	6
UNICRE – Instituição Financeira de Crédito, S.A.	226	1,095	-	-	1,321
	18,299	56,664	15,906	33,725	124,594

As at 31 December 2016, the balances with subsidiary and associated companies included in Expenses items of the income statement, are as follows:

(Thousands of Euros)

	Interest expense and similar charges	Commissions expense	Other operating costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	629	14,474	-	(27)	-	15,076
Banco de Investimento Imobiliário, S.A.	476	2,597	-	-	14,475	17,548
Banco Millennium Atlântico, S.A.	196	-	-	-	-	196
Banque BCP, S.A.S.	7,894	-	-	-	-	7,894
BCP África, S.G.P.S., Lda.	18	-	-	-	-	18
BCP Capital – Sociedade de Capital de Risco, S.A.	190	-	-	(38)	-	152
BCP Finance Bank Ltd	14,052	-	-	-	1,026	15,078
BCP Finance Company, Ltd	1,597	-	-	-	-	1,597
BCP International, B.V.	24	-	-	-	-	24
BCP Investment, B.V.	29	-	-	-	-	29
BIM – Banco Internacional de Moçambique, S.A.R.L.	20	5	-	-	-	25
Bitalpart, B.V.	4	-	-	-	-	4
Fundo de Investimento Imobiliário Fechado Gestimo	5	-	-	-	-	5
Fundo de Investimento Imobiliário Gestão Imobiliária	1	-	-	-	-	1
Fundo de Investimento Imobiliário Imorenda	7	-	-	7,056	-	7,063
Fundo de Investimento Imobiliário Imosotto Acumulação	6	-	-	1,910	-	1,916
Fundo Especial de Investimento Imobiliário Fechado Intercapital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Oceânico II	1	-	-	-	-	1
Funsita – Fundo Especial de Investimento Imobiliário Fechado	10	-	-	-	-	10
Bank Millennium (Poland Group)	(2)	30	-	-	-	28
Imoport – Fundo de Investimento Imobiliário Fechado	17	-	-	-	-	17
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	5	-	-	-	-	5
Millennium bcp Bank & Trust	699	-	-	-	1,389	2,088
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	55,913	4	-	176	-	56,093
Millennium bcp – Prestação de Serviços, A.C.E.	-	-	4	21,507	-	21,511
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	-	-	15	-	15
Millennium Fundo de Capitalização – Fundo de Capital de Risco	277	-	-	-	-	277
MULTI 24 – Sociedade Imobiliária, S.A.	-	-	3	-	-	3
Nanium, S.A.	-	1	-	-	-	1
SIBS, S.G.P.S., S.A.	11	-	-	-	-	11
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	4	-	-	-	-	4
UNICRE – Instituição Financeira de Crédito, S.A.	2	1	-	-	-	3
	82,088	17,112	7	30,635	16,890	146,732

As at 31 December 2016, the Guarantees granted and Revocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of Euros)

	Guarantees granted	Revocable credit lines	Total
Banco de Investimento Imobiliário, S.A.	79	59,433	59,512
Banco Millennium Atlântico, S.A.	768	-	768
Banque Privée BCP (Suisse) S.A.	500	200,000	200,500
BCP Finance Bank Ltd	223,850	-	223,850
BCP Finance Company, Ltd	59,910	-	59,910
Bichorro – Empreendimentos Turísticos e Imobiliários S.A.	-	274	274
BIM – Banco Internacional de Moçambique, S.A.R.L.	897	-	897
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	-	270	270
Bank Millennium (Poland Group)	338	-	338
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	-	85
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	676	676
Mundotêxtil – Indústrias Têxteis, S.A.	-	530	530
Nanium, S.A.	-	49	49
SIBS, S.G.P.S., S.A.	-	280	280
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	17	17
UNICRE – Instituição Financeira de Crédito, S.A.	-	9,528	9,528
	286,427	271,057	557,484

As at 31 December 2015, the balances with subsidiary and associated companies included in Assets items of the balance sheet are as follows:

(Thousands of Euros)

	Loans and advances to credit institutions							
	Repayable on demand	Other Loans and advances	Loans and advances to customers	Financial assets held for trading	Financial assets available for sale	Non-Current assets held for sale	Other assets	Total
ACT-C-Indústria de Cortiças, S.A.	-	-	11	-	-	-	-	11
Banco ActivoBank, S.A.	-	-	-	-	-	-	20	20
Banco de Investimento Imobiliário, S.A.	-	85,100	-	132	-	-	1,015	86,247
Banco Millennium Angola, S.A.	-	123,920	-	-	-	-	8,073	131,993
BCP Finance Bank Ltd	-	-	-	502	47,714	-	-	48,216
BCP Investment, B.V.	-	-	58,398	-	-	-	-	58,398
BIM – Banco Internacional de Moçambique, S.A.R.L.	195	-	-	-	-	-	9,881	10,076
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	3	3
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	-	-	-	-	2	2
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	612	612
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	217	217
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Oceânico II	-	-	-	-	-	-	4	4
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Bank Millennium (Poland Group)	241	16,928	-	-	-	-	-	17,169
Imábida – Imobiliária da Arrábida, S.A.	-	-	-	-	-	38,477	-	38,477
Imoport – Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	2	2
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	53	53
Irgossai – Urbanização e construção, S.A.	-	-	-	-	-	92,367	-	92,367
Magellan Mortgages No. 2 PLC	-	-	-	-	20,564	-	-	20,564
Magellan Mortgages No. 3 PLC	-	-	-	6,288	109,744	-	-	116,032
Millennium bcp – Prestação de Serviços, A.C.E.	-	-	-	-	-	-	19,399	19,399
Millennium bcp Bank & Trust	-	-	-	5,177	-	-	-	5,177
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	54,195	54,195
Millennium bcp Participações, S.G.P.S.,Sociedade Unipessoal, Lda.	-	-	-	-	-	-	134,225	134,225
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	-	-	-	-	-	6	6
Millenniumbcp Ageas Grupo Segurador,S.G.P.S., S.A. (Group)	-	-	-	57,593	-	-	12,943	70,536
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	4	4
Nanium, S.A.	-	-	22,967	-	-	-	13,621	36,588
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	-	-	-	-	-	-	16,128	16,128
QPR Investimentos, S.A.	-	-	-	-	-	30,855	-	30,855
Unicre – Instituição Financeira de Crédito, S.A.	-	717	-	-	-	-	-	717
	436	226,665	81,376	69,692	178,022	161,699	270,412	988,302

(*) The amount of loans and advances to Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group), corresponds to loans granted to Ageas Group while qualified shareholder.

As at 31 December 2015, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of Euros)

	Resources from credit institutions	Resources from customers	Debt securities issued	Financial Liabilities held for trading	Subordinated Debt	Other liabilities	Total
ACT-C-Indústria de Cortiças, S.A.	-	1	-	-	-	-	1
Banco ActivoBank, S.A.	677,063	-	-	-	-	9,581	686,644
Banco de Investimento Imobiliário, S.A.	194,683	-	-	15	28,784	11,234	234,716
Banco Millennium Angola, S.A.	35,872	-	-	-	-	-	35,872
Banque BCP (Luxembourg), S.A.	179	-	-	-	-	-	179
Banque BCP, S.A.S.	101,739	-	-	-	-	-	101,739
Banque Privée BCP (Suisse) S.A.	13,773	-	-	-	-	-	13,773
BCP África, S.G.P.S., Lda.	-	32,552	-	-	-	-	32,552
BCP Capital – Sociedade de Capital de Risco, S.A.	-	11,233	-	-	-	-	11,233
BCP Finance Bank Ltd	478,216	-	-	1,436	71,274	-	550,926
BCP Finance Company, Ltd	-	105,987	-	-	68,349	-	174,336
BCP Holdings (USA), Inc.	-	25,008	-	-	-	-	25,008
BCP International, B.V.	-	248,499	-	-	-	-	248,499
BCP Investment, B.V.	-	195,365	-	-	-	-	195,365
BIM – Banco Internacional de Moçambique, S.A.R.L.	18,057	-	-	-	-	11	18,068
Bitalpart, B.V.	-	7,897	-	-	-	-	7,897
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	290	-	-	-	-	290
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	347	-	-	-	-	347
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	-	77	-	-	-	-	77
Fundo de Investimento Imobiliário Fechado Gestimo	-	491	-	-	-	-	491
Fundo de Investimento Imobiliário Gestão Imobiliária	-	600	-	-	-	-	600
Fundo de Investimento Imobiliário Imorenda	-	1,114	-	-	-	-	1,114
Fundo de Investimento Imobiliário Imosotto Acumulação	-	5,787	-	-	-	-	5,787
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	226	-	-	-	-	226
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	363	-	-	-	-	363
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	362	-	-	-	-	362
Fundo Especial de Investimento Imobiliário Oceânico II	-	677	-	-	-	-	677
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	4,150	-	-	-	-	4,150
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	278	-	-	-	-	278
Bank Millennium (Poland Group)	572	-	-	-	-	-	572
Imábida - Imobiliária da Arrábida, S.A.	-	51	-	-	-	-	51
Imoport – Fundo de Investimento Imobiliário Fechado	-	10,207	-	-	-	-	10,207
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	4,598	-	-	-	-	4,598
Irgossai – Urbanização e construção, S.A.	-	510	-	-	-	-	510
M Inovação – Fundo de Capital de Risco BCP Capital	-	115	-	-	-	-	115
Millennium bcp – Prestação de Serviços, A.C.E.	-	4,202	-	-	-	2,806	7,008
Millennium bcp Bank & Trust	23,002	-	-	-	-	-	23,002
Millennium bcp Imobiliária, S.A.	-	1,228	-	-	-	-	1,228
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	249,803	-	-	-	-	249,803
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	101	-	-	-	-	101
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	54,315	-	-	-	-	54,315
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	548,536	1,608,993	107,656	478,903	2	2,744,090
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	22,293	-	-	-	-	22,293
Nanium, S.A.	-	6,269	-	-	-	-	6,269
QPR Investimentos, S.A.	-	3,292	-	-	-	-	3,292
S&P Reinsurance Limited	-	2,564	-	-	-	-	2,564
Servitrust – Trust Management Services S.A.	-	628	-	-	-	-	628
SIBS, S.G.P.S., S.A.	-	6,811	-	-	-	-	6,811
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2,657	-	-	-	-	2,657
Unicre – Instituição Financeira de Crédito, S.A.	7,724	-	-	-	-	-	7,724
	1,550,880	1,559,484	1,608,993	109,107	647,310	23,634	5,499,408

As at 31 December 2015, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 652,087,518 BCP shares in the amount of Euros 31,822,000.

As at 31 December 2015, the balances with subsidiary and associated companies are as follows:

(Thousands of Euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Total
Banco ActivoBank, S.A.	74	-	286	-	360
Banco de Investimento Imobiliário, S.A.	1,562	1,672	-	13,893	17,127
Banco Millennium Angola, S.A.	2,943	295	715	-	3,953
Banque BCP (Luxembourg), S.A.	-	2	-	-	2
Banque BCP, S.A.S.	-	3	-	-	3
Banque Privée BCP (Suisse) S.A.	-	1,042	117	-	1,159
BCP Capital - Sociedade de Capital de Risco, S.A.	-	6	221	-	227
BCP Finance Bank Ltd	304	-	-	1,500	1,804
BCP Investment, B.V.	2,715	-	-	-	2,715
BIM – Banco Internacional de Moçambique, S.A.R.L.	-	49	10,890	-	10,939
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	6	-	-	6
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	9	-	-	9
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	67	22	-	-	89
Fundo de Investimento Imobiliário Fechado Gestimo	8	29	-	-	37
Fundo de Investimento Imobiliário Gestão Imobiliária	-	2	-	-	2
Fundo de Investimento Imobiliário Imorenda	-	201	-	-	201
Fundo de Investimento Imobiliário Imosotto Acumulação	-	225	-	-	225
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	6	-	-	6
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	307	131	-	438
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	41	6	-	-	47
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	41	6	-	-	47
Fundo Especial de Investimento Imobiliário Oceânico II	-	47	-	-	47
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	19	-	-	19
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	22	-	-	22
Bank Millennium (Poland Group)	22	222	-	-	244
Imoport – Fundo de Investimento Imobiliário Fechado	-	30	-	-	30
Irgossai – Urbanização e construção, S.A.	11,141	-	-	-	11,141
Luanda Waterfront Corporation	-	(27)	-	-	(27)
M Inovação – Fundo de Capital de Risco BCP Capital	-	1	-	-	1
Magellan Mortgages No. 2 PLC	272	168	-	-	440
Magellan Mortgages No. 3 PLC	2,941	561	-	-	3,502
Millennium bcp Bank & Trust	1	-	-	988	989
Millennium bcp Imobiliária, S.A.	38	19	-	-	57
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	1	-	-	-	1
Millennium bcp – Prestação de Serviços, A.C.E.	-	92	6,597	-	6,689
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	10	-	-	10
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	20	53,275	366	-	53,661
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	52	-	-	52
Nanium, S.A.	135	137	-	-	272
SIBS, S.G.P.S., S.A.	-	5	-	-	5
Unicre – Instituição Financeira de Crédito, S.A.	219	1,685	-	-	1,904
	22,545	60,206	19,323	16,381	118,455

As at 31 December 2015, the balances with subsidiary and associated companies are as follows:

(Thousands of Euros)

	Interest expense and similar charges	Commissions expense	Staff costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	1,350	13,668	-	(27)	-	14,991
Banco de Investimento Imobiliário, S.A.	448	1,925	-	-	13,979	16,352
Banco Millennium Angola, S.A.	9	4	-	-	-	13
Banque BCP, S.A.S.	10,217	-	-	-	-	10,217
BCP África, S.G.P.S., Lda.	70	-	-	-	-	70
BCP Capital – Sociedade de Capital de Risco, S.A.	185	-	-	(41)	-	144
BCP Finance Bank Ltd	15,215	-	-	-	975	16,190
BCP Finance Company, Ltd	5,677	-	-	-	-	5,677
BCP Holdings (USA), Inc.	57	-	-	-	-	57
BCP International, B.V.	19	-	-	-	-	19
BCP Investment, B.V.	752	-	-	-	-	752
BIM – Banco Internacional de Moçambique, S.A.R.L.	7	3	-	-	-	10
Bitalpart, B.V.	31	-	-	-	-	31
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	4	-	-	-	-	4
Fundo de Investimento Imobiliário Fechado Gestimo	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	2	-	-	-	-	2
Fundo de Investimento Imobiliário Imorenda	29	-	-	7,612	-	7,641
Fundo de Investimento Imobiliário Imosotto Acumulação	18	-	-	1,995	-	2,013
Fundo Especial de Investimento Imobiliário Fechado Intercapital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	1	-	-	-	-	1
Fundo Especial de Investimento Imobiliário Oceânico II	4	-	-	-	-	4
Funsita – Fundo Especial de Investimento Imobiliário Fechado	2	-	-	-	-	2
Bank Millennium (Poland Group)	4	48	-	-	-	52
Imoport – Fundo de Investimento Imobiliário Fechado	6	-	-	-	-	6
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	16	-	-	-	-	16
Millennium bcp – Prestação de Serviços, A.C.E.	-	-	19	22,373	-	22,392
Millennium bcp Bank & Trust	120	-	-	-	719	839
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	1,104	-	-	-	-	1,104
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	-	-	16	-	16
Millennium Fundo de Capitalização – Fundo de Capital de Risco	218	-	-	-	-	218
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	63,993	-	-	82	-	64,075
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	14	-	-	-	-	14
Nanium, S.A.	1	-	-	-	-	1
SIBS, S.G.P.S., S.A.	4	-	-	-	-	4
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	9	-	-	-	-	9
Unicre – Instituição Financeira de Crédito, S.A.	-	1	-	-	-	1
	99,589	15,649	19	32,046	15,673	162,976

As at 31 December 2015, the Guarantees granted and Revocable credit lines to subsidiary and associated companies, are as follows:

(Thousands of Euros)

	Guarantees granted	Revocabe credit lines	Total
Banco de Investimento Imobiliário, S.A.	89	255,882	255,971
Banco Millennium Angola, S.A.	1,203	-	1,203
Banque Privée BCP (Suisse) S.A.	-	200,000	200,000
BCP Finance Bank Ltd	301,765	-	301,765
BCP Finance Company, Ltd	59,910	-	59,910
BIM – Banco Internacional de Moçambique, S.A.R.L.	1,151	-	1,151
Fundo de Investimento Imobiliário Imorenda	-	1,513	1,513
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,837	3,837
Bank Millennium (Poland Group)	348	-	348
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	85	23,250	23,335
Nanium, S.A.	5,305	32	5,337
SIBS, S.G.P.S., S.A.	-	469	469
Unicre – Instituição Financeira de Crédito, S.A.	-	9,370	9,370
	369,856	494,353	864,209

During 2016 and 2015, the remunerations resulting from the services of insurance intermediation or reinsurance, are as follows:

(Thousands of Euros)

	2016	2015 (restated)
LIFE INSURANCE		
Saving products	**31,535**	32,617
Mortgage and consumer loans	**19,762**	19,593
Others	**34**	36
	51,331	52,246
NON-LIFE INSURANCE		
Accidents and health	**15,132**	13,637
Motor insurance	**3,200**	2,789
Multi-Risk Housing	**5,855**	5,139
Others	**932**	1,070
	25,119	22,635
	76,450	74,881

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental – Companhia Portuguesa de Seguros, SA.

The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

The receivable balances from insurance intermediation activity by nature and entity, are analysed as follows:

(Thousands of Euros)

	2016	2015 (restated)
BY NATURE		
Funds receivable for payment of life insurance commissions	**12,616**	12,943
Funds receivable for payment of non-life insurance commissions	**6,061**	5,625
	18,677	18,568

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:
– Insurance contracts – use of fixed rates on gross premiums issued;
– Investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

d) Transactions with the Pension Fund

During 2016, the Bank sold bonds to the pension fund in the amount of Euros 16.736,000 (31 December 2015: Euros 9,006,000) and purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 249.020.000, during 2015.

As at 31 December 2016 and 2015, the balances with Pension Fund included in Liabilities items of the balance sheet are as follows:

(Thousands of Euros)

	2016	2015 (restated)
Deposits from customers	**348,815**	520,176
Subordinated debt	**128,876**	128,900
	477,691	649,076

As at 31 December 2016 and 2015, the balances with Pension Fund included in Income items of the income statement, are as follows:

(Thousands of Euros)

	2016	2015 (restated)
INCOME		
Commissions	**768**	745
EXPENSES		
Interest expense	**126**	92
Administrative costs	**824**	888
	950	980

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Bank.

As at 31 Decembrer 2015, the amount of Guarantees granted by the Bank to the Pension Fund amounts to Euros 13,593,000.

46. RISK MANAGEMENT

The Bank is subject to several risks during the course of its business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding risk / return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the Bank's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and / or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

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

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal Organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Management and Control model

For the purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:
– Trading and Sales: involves those positions for which the goal is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities and the derivatives of the sales activities;
– Financing: financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
– Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with other purposes than short-term gains; it also includes any other risk hedging operations associated to those positions;
– Commercial: includes all operations (assets and liabilities) held at the normal course of business of the Bank with its customers;
– ALM: it represents the Assets and Liabilities management function, including operations decided by CALCO in the Group's global risk management function and centralizes the transfer of risk between the remaining areas;
– Structural: deals with balance sheet elements or operations that, due to their nature, are not directly related to any of the other areas, including structural financing operations of the Group, capital and balance sheet fixed items;

The definition of these management areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context.

Risk Assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default.

All rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Bank's exposure to credit risk (original exposure), as at 31 December 2016 and 2015 is presented in the following table:

(Thousands of Euros)

Risk items	2016	2015 (restated)
Central Governments or Central Banks	**4,284,363**	3,444,055
Regional Governments or Local Authorities	**663,346**	563,321
Administrative and non-profit Organisations	**370,189**	419,763
Multilateral Development Banks	**-**	47,987
Other Credit Institutions	**3,145,466**	2,465,806
Retail and Corporate customers	**43,536,374**	46,413,147
Other items	**18,972,579**	20,129,931
	70,972,317	73,484,010

Note: gross exposures of impairment and amortization. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 31 December 2016, of the credit granted to entities whose country is one of those identified.

(Thousands of Euros)

		2016					
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2017	4,350	8	38	9	34	246,989
	2018	-	-	-	-	-	15,912
	>2018	-	-	-	-	-	1,726,013
		4,350	8	38	9	34	1,988,914
Companies	2017	82,788	-	-	-	-	4,383,014
	2018	10,098	-	-	-	-	426,496
	>2018	41,670	41,194	-	240,076	-	6,282,259
		134,556	41,194	-	240,076	-	11,091,770
Retail	2017	91,282	6	-	61	1,886	1,652,067
	2018	70	-	-	1,713	28	278,306
	>2018	26,107	379	-	41,319	949	18,405,249
		117,459	384	-	43,093	2,863	20,335,622
State and other public entities	2017	34,500	-	-	-	-	1,730,758
	2018	50	-	-	-	50,000	391,539
	>2018	418	-	-	319	618	2,122,044
		34,968	-	-	319	50,618	4,244,341
TOTAL COUNTRY		291,333	41,586	38	283,497	53,515	37,660,646

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:
– Financial collaterals, real estate collaterals or other collaterals;
– Receivables;
– First demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
– Personal guarantees, when the persons are classified with Risk Grade 7 or better;
– Credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, *i.e.*, on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, the substitution principle is applied by replacing the Risk Grade of the client by the Risk Grade of the guarantor, if the Risk of Grade Degree of the guarantor is better than the client's, when:
– State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
– Personal guarantees (or, in the case of Leasing, an adhering contracting party);
– The mitigation is effective through credit derivatives.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

There is always a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and / or market comparative – mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration / certification of an expert valuer since 2008, as requested by Notice no. 5/2007 of Bank of Portugal and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notices no. 5/2006 and no. 5/2007 of Bank of Portugal, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following three methods:
(i) Depreciation of the property by direct application of the index, if the amount owed does not exceed 70% of the revised collateral;
(ii) Review based on recent reviews, geographically close, certified by internal expert;
(iii) Review of the property value by external valuators, depending on the value of the credit operation, and in accordance with established standards.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Notice no. 5/2007 of Bank of Portugal, in the case of offices, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out, by an expert valuer.

For the remaining real estate (land, commercial real estate or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

As at 31 December 2016, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

(Thousands of Euros)

	2016		
	Assets arising from recovered loans results (note 25)		
Asset	Number of properties	Fair value of asset	Book value
LAND			
Urban	1,776	577,207	504,867
Rural	181	15,417	11,974
CONSTRUCTED BUILDINGS			
Commercials	1,450	218,852	189,304
Mortgage loans	5,925	650,202	559,334
Others	383	176,386	148,510
TOTAL	9,715	1,638,064	1,413,989

(Thousands of Euros)

	2016				
	Past due since the lieu / execution				
Asset	<1 year	>=1 year and <2.5 years	>=2.5 years and <5 years	>=5 years	Total
LAND					
Urban	194,207	203,366	58,786	48,508	504,867
Rural	7,196	1,527	906	2,345	11,974
CONSTRUCTED BUILDINGS					
Commercials	29,943	62,221	71,954	25,186	189,304
Mortgage loans	302,622	151,819	69,720	35,173	559,334
Others	16,894	26,446	64,144	41,026	148,510
TOTAL	550,862	445,379	265,510	152,238	1,413,989

As at 31 December 2015, the following tables include the fair value and the accounting net value of the properties arising from recovered loans, by asset and by antiquity:

(Thousands of Euros)

	2015		
	Assets arising from recovered loans results (note 25)		
Asset	Number of properties	Fair value of the asset	Book value
LAND			
Urban	1,291	298,950	271,732
Rural	249	60,981	53,639
CONSTRUCTED BUILDINGS			
Commercials	1,491	227,214	195,304
Mortgage loans	4,088	462,127	390,516
Others	413	207,230	173,774
TOTAL	7,532	1,256,502	1,084,965

(Thousands of Euros)

Asset	2015 Past due since the lieu / execution <1 year	>=1 year and <2.5 years	>=2.5 years and <5 years	>=5 years	Total
LAND					
Urban	154,141	49,651	38,628	29,312	271,732
Rural	31,750	7,835	3,900	10,154	53,639
CONSTRUCTED BUILDINGS					
Commercials	37,218	78,349	61,115	18,622	195,304
Mortgage loans	168,946	117,477	71,326	32,767	390,516
Others	38,898	46,935	46,564	41,377	173,774
TOTAL	430,953	300,247	221,533	132,232	1,084,965

Market risk

For the monitoring and control of market risk existing in the different portfolios, the Bank uses an integrated risk measure that includes the main types of market risks identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in the evaluation of generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by RiskMetrics. It is calculated considering a 10-working day time horizon and a unilateral statistical confidence interval of 99%. The estimation of the volatility associated to each risk factor in the model assumes an historical approach (equally weighted), with a one year observation period.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc.) and associated derivatives, for which the performance is directly related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk: a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99%, and a standard measure for commodities risks.

These measures are included in the market risk indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis – for each portfolio of the areas having responsibilities in risk taking and management – and in consolidated terms, taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is adequate to evaluate the risks involved in the positions held, a back testing process has been established. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures, for the trading portfolio:

(Thousands of Euros)

	2016	2015 (restated)
Generic Risk (VaR)	**3,877**	1,363
Specific Risk	**439**	669
Non Linear Risk	**8**	104
Commodities Risk	**16**	13
Global Risk	**4,340**	2,149

The assessment of the interest rate risk originated by the banking portfolio's operations is performed by a risk sensitivity analysis process carried out every month for all operations included in the Bank's balance sheet.

This analysis considers the financial characteristics of the contracts available in information systems. Based on this data, a projection for expected cash-flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash-flows for each time interval and for each of the currencies under analysis allows to calculate the interest rate gap per repricing period.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash-flows simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

(Thousands of Euros)

	2016			
Currency	- 200 b.p.	- 100 b.p.	+ 100 b.p.	+ 200 b.p.
CHF	168	168	328	642
EUR	12,984	19,704	68,427	133,741
PLN	(566)	(364)	360	716
USD	(21,312)	(12,006)	11,759	23,263
TOTAL	(8,725)	7,502	80,873	158,362

(Thousands of Euros)

	2015 (restated)			
Currency	- 200 b.p.	- 100 b.p.	+ 100 b.p.	+ 200 b.p.
CHF	157	157	243	478
EUR	79,005	59,999	7,998	19,470
PLN	(1,663)	(1,045)	1,032	2,052
USD	(7,667)	(7,527)	7,778	15,432
TOTAL	69,832	51,584	17,051	37,432

The Bank regularly undertakes hedging operations on the market aiming to reduce the interest rate mismatch of the risk positions associated with the portfolio of transactions of the commercial and structural areas.

The Bank applies to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment subject to hedging is PLN 2,285,125,000 (31 December 2015: PLN 2,285,125,000), with the equivalent amount of Euros 518,134,000 (31 December 2015: Euros 535,924,000), with the hedging instrument in the same amount.

No ineffectiveness has been recognised as a result of the hedging operations, as referred in the accounting policy 1 d).

Liquidity risk

The assessment of the Bank's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of the Bank'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.

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 customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Bank's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries fulfill their obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In a conjuncture characterised by difficulty in access to interbank and institutional funding markets, and considering the prudential criteria adopted by the Group for liquidity management, continued to receive particular attention, in addition to the reduction of market financing needs, the active management of liquidity buffer provided by the portfolio of discountable assets at the ECB (or other Central Banks). In this line, the portfolio of discountable assets to the ECB finished the year of 2016 with a value of Euros 7,621,792,000, approximately less Euros 2,969,430,000 than 2015 figure.

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

(Thousands of Euros)

	2016	2015 (restated)
European Central Bank	**7,621,792**	10,591,222

As at 31 December 2016, the amount discounted in the European Central Bank amounts to Euros 4,100,000,000 (31 December 2015: Euros 4,182,510,000).

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

	2016	2015 (restated)
Accumulated net cash-flows up to 1 year as % of total accounting liabilities	**-15.1%**	-11.1%
Liquidity gap as a % of iliquid assets	**9.0%**	8.0%
Transformation Ratio (Credit / Deposits)[1]	**101.9%**	104.9%
Coverage ratio of Wholesale funding by HLA[2]		
(up to 1 month)	**430.4%**	303.2%
(up to 3 months)	**247.0%**	217.5%
(up to 1 year)	**161.3%**	185.7%

[1] Transformation ratio computed according to the updated Regulation n. 23/2011 of the Bank of Portugal of 26/09/2011.
[2] HLA- Highly Liquid Assets.

The analysis of the balance sheet items by maturity dates is as follows:

(Thousands of Euros)

	At sight	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
ASSETS							
Cash and deposits at Central Banks	790,733	-	-	-	-	-	790,733
Loans and advances to CI							
Repayable on demand	312,595	-	-	-	-	-	312,595
Other loans and advances	-	529,922	56,730	895,029	15,000	499	1,497,180
Loans and advances to customers	-	-	6,565,110	4,978,727	22,584,583	3,144,154	37,272,574
Financial assets[*]	-	148,280	716,397	1,098,505	2,342,729	1,927,796	6,233,707
Financial assets held to maturity	-	51,527	-	125,306	232,958	-	409,791
	1,103,328	729,729	7,338,237	7,097,567	25,175,270	5,072,449	46,516,580
LIABILITIES							
Resources from CI	-	3,764,169	677,010	4,314,091	990,250	-	9,745,520
Resources from customers	14,420,226	8,804,892	8,646,558	1,927,121	159,172	-	33,957,969
Debt securities issued	-	433,169	1,231,230	466,846	587,511	-	2,718,756
Subordinated debt	-	-	703,421	608,934	-	88,478	1,400,833
	14,420,226	13,002,230	11,258,219	7,316,992	1,736,933	88,478	47,823,078

[*] Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale.

Operational Risk

The approach to operational risk management is based on the business process structure and an end-to-end processes structure. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self--assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Bank, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

47. SOLVENCY

The Millennium bcp's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice no. 6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; (ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

Additionally, supervisory authorities may impose a capital buffer to systemically important institutions given their dimension, importance for the economy, 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 institution), and is obliged to comply with an additional buffer of 0.375% as of 1 January 2018 and 0.75% as of 1 January 2019.

The Millennium bcp has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio and its corporate portfolio. The Millennium bcp has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and the standard method was used for the purposes of operating risk coverage.

The own funds and the capital requirements determined according to the methodologies CRD IV / CRR (phased-in) previously referred, are the following:

(Thousands of Euros)

	2016	2015 (restated)
COMMON EQUITY TIER 1 (CET1)		
Ordinary share capital	**4,268,818**	4,094,235
Share Premium	**16,471**	16,471
Other capital (State aid)	**700,000**	750,000
Reserves and retained earnings	**163,334**	(686,330)
Regulatory adjustments to CET1	**(486,436)**	(34,506)
	4,662,187	4,139,870
TIER 1		
Capital Instruments	**1,753**	2,045
Regulatory adjustments	**(1,753)**	(2,045)
	4,662,187	4,139,870
TIER 2		
Subordinated debt	**397,833**	531,480
Others	**(80,640)**	41,291
	317,193	572,771
TOTAL OWN FUNDS	**4,979,380**	4,712,641
RWA – RISK WEIGHTED ASSETS		
Credit risk	**29,761,348**	31,243,607
Market risk	**702,411**	1,059,409
Operational risk	**1,939,075**	1,565,909
CVA	**283,520**	216,173
	32,686,354	34,085,098
CAPITAL RATIOS		
CET1	**14.3%**	12.1%
Tier 1	**14.3%**	12.1%
Tier 2	**1.0%**	1.7%
TOTAL	**15.2%**	13.8%

48. ACCOUNTING STANDARDS RECENTLY ISSUED

1 – The recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

The following standards, interpretations, amendments and revisions (endorsed) by the European Union are mandatory for the first time for the year ended 31 December 2016:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions – (Applicable in the European Union to annual periods beginning on or after 1 February 2015)

Clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction of cost with short-term benefits.

Improvements to international financial reporting standards (2010-2012 cycle) – (Applicable in the European Union to annual periods beginning on or after 1 February 2015)

These improvements involve the clarification of some aspects related to: IFRS 2 – Stock-based payments: definition of vesting condition; IFRS 3 – Concentration of business activities: accounting for contingent payments; IFRS 8 – Operating segments: disclosures related to the judgment applied in relation to segment aggregation and clarification on the need to reconcile total assets by segment with the value of assets in the financial statements; IAS 16 – Tangible fixed assets and IAS 38 – Intangible assets: need for proportional revaluation of accumulated amortization in the case of revaluation of fixed assets; and IAS 24 – Disclosures of related parties: defines that an entity providing management services to the Company or its parent is considered a related party; and IFRS 13 – Fair value: clarifications regarding the measurement of short-term accounts receivable or payable.

Improvements to international financial reporting standards (2012-2014 cycle) – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

These improvements involve the clarification of certain aspects related to: IFRS 5 – Non-current assets held for sale and discontinued operations: introduces guidelines on how to proceed in case of changes in the expected realization method (sale or distribution to shareholders); IFRS 7 – Financial instruments: disclosures: clarifies the impacts of asset tracking contracts in the scope of disclosures associated with the continued involvement of derecognised assets, and exempts the interim financial statements from the required disclosures regarding the offsetting of financial assets and liabilities; IAS 19 – Employee benefits: defines that the rate to be used for defined benefit discount purposes shall be determined by reference to the high quality corporate bonds that have been issued in the currency in which the benefits will be liquidated; and IAS 34 – Interim financial report: clarification on the procedures to be adopted when the information is available in other documents issued together with the interim financial statements.

Amendment to IFRS 11 – Joint Arrangements – Accounting for acquisition of interests in a joint operation – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3. When the joint transaction in question is not a business activity, the transaction should be recorded as an asset acquisition. This amendment has prospective application for new acquisitions of interests.

Amendment to IAS 1 – Presentation of financial statements – "Disclosure Initiative"– (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment clarifies some aspects related to the disclosure initiative, namely: (i) the entity should not impede the intelligibility of financial statements through the aggregation of material items with non-material items or through the aggregation of material items with different natures; (ii) the disclosures specifically required by IFRSs only have to be given if the information in question is material; (iii) the lines of the financial statements specified by IAS 1 may be aggregated or disaggregated, as this is more relevant to the objectives of the financial reporting; (iv) that part of the other comprehensive income resulting from the application of the equity method in associates and joint agreements must be presented separately from the other elements of other comprehensive income, also segregating the items that may be reclassified to results of those that will not be reclassified ; (v) the structure of banknotes should be flexible and should respect the following order:

– A statement of compliance with IFRS in the first section of the notes;

– A description of the relevant accounting policies in the second section;

– Information supporting the items on the face of the financial statements in the third section; and

– Other information in the fourth section.

Amendment to IAS 16 – Tangible assets and IAS 38 – Intangible assets – Acceptable depreciation methods – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment establishes the presumption (which can be rebutted) that revenue is not an appropriate basis for amortizing an intangible asset and prohibits the use of revenue as a basis for the amortization of tangible fixed assets. The presumption established for the amortization of intangible assets can only be rebutted when the intangible asset is expressed as a function of the income generated or when the use of the economic benefits is highly correlated with the revenue generated.

Amendment to IAS 16 – Tangible assets and IAS 41 – Agriculture: Bearer Plants (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment excludes plants which produce fruit or other components intended for harvesting and / or removal from the scope of IAS 41 and are covered by IAS 16.

Amendment to IAS 27 – Application of the equity method in the separate financial statements – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

This amendment introduces the possibility of measuring interests in subsidiaries, joint and associated agreements in financial statements separated by the equity method, in addition to the currently existing measurement methods. This amendment applies retrospectively.

Amendments to IFRS 10 – Consolidated financial statements, IFRS 12 – Disclosures about interests in other entities and IAS 28 – Investments in associates and jointly controlled entities – (Applicable in the European Union to annual periods beginning on or after 1 January 2016)

These amendments contemplate the clarification of several aspects related to the application of the exception of consolidation by investment entities.

<u>2 – Standards, interpretations, amendments and revisions that will take effect in future exercises</u>

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, were, as of the date of approval of these financial statements, endorsed by the European Union:

IFRS 9 – Financial instruments (2009) and subsequent amendments (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

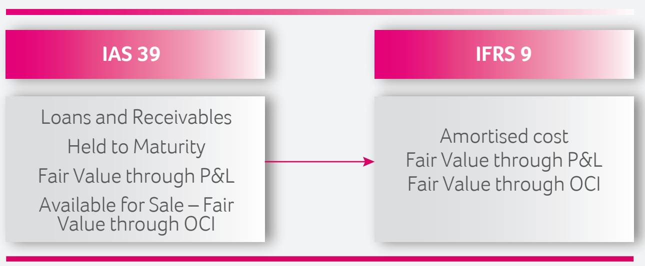
<u>A – Overview</u>

This standard is included in the draft revision of IAS 39 and establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules.

<u>(i) Classification and measurement of financial instruments</u>

According to the new standard, there will be a change in classification categories, with more focus on financial assets characteristics and on the Institution´s business model.

The Business Model and SPPI (solely payment and principal interest) criteria dictates classification, which will change from the actual five classes of IAS 39: Trading (TR), Fair Value Option (FVO), Available for Sale (AFS), Held to Maturity (HTM) and Loans and Receivables (L&R) (the last two at amortised cost) to be comprised into only three according to IFRS 9: FVOPL (fair value through P&L), FVOCI (fair value through OCI) and Amortised Cost, with the potential reclassification of assets may imply changes or revision of the business model.

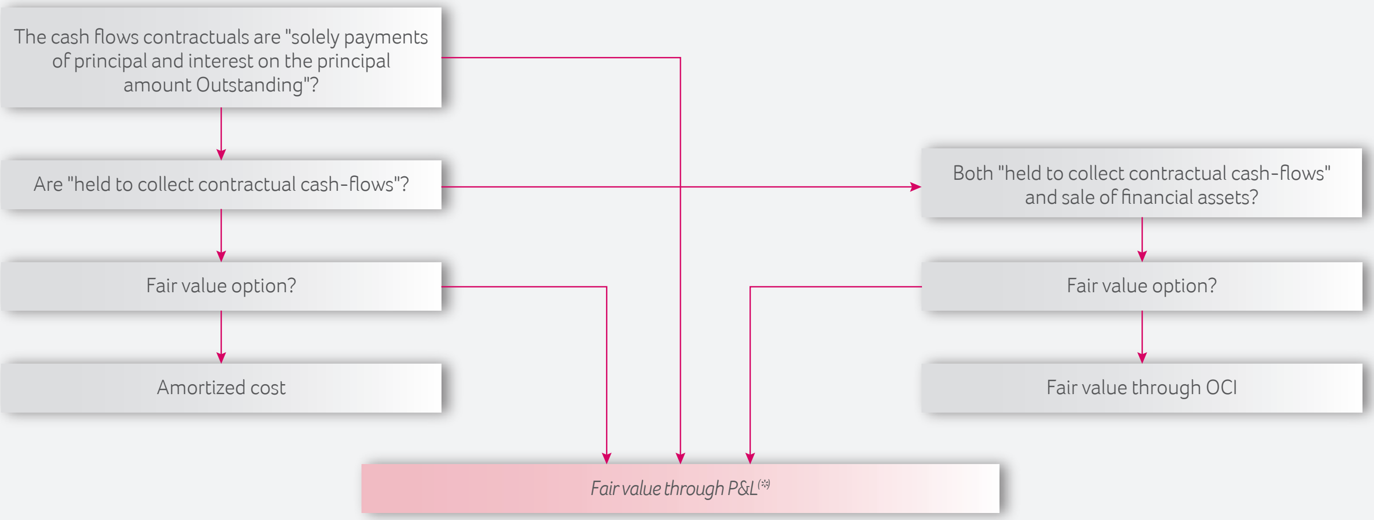


The new rule of classification and measurement is more principles--based, requiring the Bank to reconsider not only its business model for the management of financial assets but also the characteristics of contractual cash-flows of these assets, in particularly, if they represent solely payments of principal and interests on the principal amount outstanding or if there are other components included in the remuneration.

The business model defines the way how the Bank intends to manage its financial assets in order to generate cash-flows, which under IFRS 9 may be by three ways: (i) collecting contractual cash-flows (capital and interest) (ii) selling the assets or (iii) both.

Under the implementation in course of IFRS 9, the Bank performed an analysis of the balance sheet, aiming the assessment of SPPI and business model for each instrument or line of the balance sheet, and also performing the benchmark testing, when applicable, which continues to develop and fine-tunning in the context of the work in course. It should be mentioned that in case of BCP Group, the majority of credit portfolio, presently accounted at amortised cost, is composed of simple and basic arrangements, whose remuneration correspond basically of credit and interest rate risk, thus not subject to a fair value approach under IFRS 9.

Summarised Decision Tree on C&M



(*) For equity instruments, there is the option to irrevocably recognize the fair value changes in OCI.

ii) – Impairment of Financial Assets

This is the item where IFRS 9 is expected to have a larger impact, not only in quantitative terms, but also in terms of change in impairment methodology and potential changes in terms of risk management.

The new standard brings a different approach from what is currently used by most banks in the calculation of impairment losses, where one of the basic principles becomes the assessment of the significant deterioration of the credit risk from the time of origination (or recognition), as well as with respect to the type of loss, where the current concept of loss incurred under IAS 39 will be replaced by an expected loss approach to IFRS 9.

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions, with the forward-looking component being one of the major conceptual changes of the standard. Moreover, the established impairment models will apply transversally to all balance sheet, thus not differentiating for instance between loans and securities. The IFRS 9 impairment model shall be applicable to all financial assets at amortised cost, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantees, among others.

In general terms, the implementation of IFRS 9 is expected to result in higher impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments.

The calculation of the expected credit loss (ECL) shall be based on three different stages allocation:
– Stage 1 – calculation of a 12 month ECL for exposures for which the credit risk has not significantly increased since initial recognition neither being credit-impaired;
– Stage 2 – lifetime expected credit losses for exposures for which the credit risk has increased significantly since initial recognition. The assessment that a significant increase in credit risk has occurred should be based on quantitative and qualitative assessments, relying mostly on internal or external ratings and using 30 days past due criterion as a backstop rather than a primary driver.
– Stage 3 – credit impaired exposures are classified in this stage, being expected an alignment of concepts between the accounting and regulatory capital (CRR). When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income to be presented on a net basis rather than gross.

iii) Hedge accounting

This is point where is expected minor changes, either quantitative either qualitative from the adoption of the new standard. Basically, the hedge accounting will be more related to risk management policies, allowing a decrease in the results volatility, together with a closer alignment between hedge accounting and risk management. Nevertheless, the new standard allows the maintenance of the criteria of IAS 39, with BCP Group planning to make use of this waiver.

B – Transitional arrangements and impact on capital

Although the IFRS 9 will be in place in Europe from January 2018, affecting the financial statements of the Bank as a new accounting standard, it should be empathized that the impact on capital on the following years will depend on the transitional arrangements that are under discussion. We present below some highlights on this topic:

– In its Resolution of 30 September 2016, the European Parliament recognized the impact of IFRS 9 on banks' capital and called for a progressive phase-in regime that would mitigate the impact of the new impairment model and avoid any sudden unwarranted impact on banks' capital ratios and lending to the real economy;

– Pending the Basel discussions, the European Commission has proposed a full neutralization in the first year of adoption (2018) and a 5-year period of phased-in to enable banks to mitigate the impact of IFRS 9 on regulatory capital based on a dynamic approach (the impacts of IFRS 9 versus IAS 39, in the impairment);

– In effect, the Basel Committee is undertaking a review of the interaction between the accounting and prudential regimes, having published a consultative document on "Regulatory treatment of accounting provisions – interim approach and transitional arrangements" on October 2016 (with comments to be received until January 2017). The document describes some possible approaches to mitigate the impact of IFRS 9 on capital;

– Also on this subject, EBA issued an opinion on the EU Commission proposal in 6 March of 2017, which, among other points, suggest no neutralization of the new standard's impact during the first year or any of the years, giving preference to a "static approach" and arguing for an analysis of the full impact of the IFRS 9, including not only the effects from the Impairment component but also from Classification and Measurement.

Therefore, taking into consideration the discussions and arguments still pending on this matter, the regulatory capital impact of IFRS9 on the BCP Group will depend on the timing and final form of all these initiatives.

C – Main considerations

During 2016, BCP Group made an in-depth gap analysis for the implementation of the project, participated in EBA's first impact assessment that covered 50 Institutions in Europe and started the design phase.

The design and build of impairment models, systems, processes, governance, controls and data collection will continue and will be refined during 2017. It is important to highlight that BCP Group has internal ratings models that cover the majority of credit portfolios that it has been using for a considerable period of time, which may be considered as a strong point in the process of IFRS 9 implementation, namely, for the assessment of the significant credit risk deterioration. Moreover, the Bank is also leveraging on the existing data, IT structure and governance due to the fact of being IRB approved and have already developed an organizational architecture to respond to the demanding regulatory requirements.

Considering the information available on the market and preliminary impact studies performed, the ECL component seems to be one with largest impact arising from the adoption of IFRS 9. It is also expected that stage 2 should be the main contributor for the rise in the impairment stock, as captures the impairment allocation of moving from the current emerging period used in the models (e.g. 12 month PD in Portugal) to a Lifetime PD. In the case of IRB approved banks, such is the case of BCP Group that has the bulk of credit exposures under IRB for regulatory purposes, the ultimate impact on capital ratios is mitigated by the decrease of EL IRB Shortfall (deductions to regulatory own funds) of the respective portfolios.

IFRS 15 – Revenue from contracts with customers (Applicable in the European Union to annual periods beginning on or after 1 January 2018)

This standard introduces a principles-based revenue recognition framework based on a model to be applied to all contracts entered into with clients, replacing IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Loyalty programs; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter transactions involving advertising services.

The Group does not anticipate material impact on the application of this change in its financial statements.

3 - Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following standards, interpretations, amendments and revisions, with mandatory application in future financial years, have not been endorsed by the European Union until the date of approval of these financial statements:

IFRS 14 – Regulated assets

This standard establishes reporting requirements by entities that first adopt IFRSs applicable to regulated assets.

IFRS 16 – Locations

This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 – Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify leases between operational or financial, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.

The Group does not anticipate any impact on the application of this change in its financial statements.

Amendments to IFRS 10 – Consolidated financial statements and IAS 28 – Investments in associates and joint ventures

These amendments eliminate a conflict between those rules, related to the sale or contribution of assets between the investor and the associate or between the investor and the joint venture.

Amendments to IAS 12 – Income tax

These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses.

Amendments to IAS 7 – Cash-flows Statement

These amendments introduce additional disclosures related to the cash-flows from financing activities.

Amendments to IFRS 15 – Revenue from contracts with customers

These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.

Amendments to IFRS 2 – Share-based payments

These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.

Amendments to IFRS 4 – Insurance contracts

These amendments provide guidance on the application of IFRS 4 in conjunction with IFRS 9.

Amendments to IAS 40 – Investment properties

These amendments clarify that a change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset.

Improvements to international financial reporting standards (cycle 2014-2016)

These improvements involve the clarification of some aspects related to: IFRS 1 – First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 – Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 – Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.

IFRIC 22 – Foreign currency transactions and down payments

This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

These standards have not yet been endorsed by the European Union and as such were not applied by the Group (Company) in the year ended 31 December 2016.

49. CONTINGENCIES AND COMMITMENTS

In accordance with accounting policy 1 y), the main contingent liabilities and other commitments under IAS 37 are as follows (in addition to those disclosed in the remaining notes):

1. The Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based on preliminary evidence of administrative offences foreseen in the Legal Framework for Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

The proceedings continued and by a Decision issued on 9 June 2015, the Lisbon Court of Appeal declared that part of the offences of alleged provision of false information to the Bank of Portugal had reached a statute of limitation, thereby acquitting the Bank of the remaining offences (that did not reach the statute). It further acquitted the Bank of two others alleged offences of falsifying accounting records. The Lisbon Court of Appeal confirmed the sentence of the Bank for two other alleged offences of falsifying accounting records. Therefore, the Lisbon Court of Appeal decreased the fine imposed to the Bank, from Euros 4,000,000 to Euros 750,000. The bank and one of the defendants (individual) appealed this Judgment to the Constitutional Court but these appeals were denied. The Judgment of the Lisbon Court of Appeal became definitive and final.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for a civil indemnity.

Through a sentence issued on 2 May 2014, one of the defendants was acquitted and the others were sentenced to suspended 2-year prison sentences and to the payment of fines amounting to between Euros 300,000 and Euros 600,000 for the crime of market manipulation, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. In its decision dated of 25 February 2015, the Lisbon Court of Appeal confirmed in full the terms of the aforementioned sentence. According to the information available, the appellate court's final decision has not yet been delivered as final.

3. In December 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, filed a lawsuit against the Bank for Euros 75,735,026.50 claiming (i) the acknowledgement that the loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) for the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a foreign exchange debt represented by a promissory note (held by the Company) acting as security.

One of the creditors of the Plaintiff requested its bankruptcy and the Bank claimed credits amounting to Euros 82,253,962.77. The Plaintiff was declared to be insolvent, therefore the claim she filed against the Bank was dismissed because the proceedings were deemed useless, and the judgment has been delivered as final.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several searches were conducted to the Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process.

The Bank received, on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings nr. 2012/9, and was charged of taking part in the exchange of information amongst Banks of the system relating to pricing already approved and mortgage and consumption loan operations already approved or granted. Concerning the charges brought forward, the Bank will present its reply to the notice and afterwards, if need be, will present its legal objections. We must point out that a notice of an illicit act does not imply the making of a final decision concerning the proceedings. If the Competition Authority were to issue a conviction, the Bank could be sentenced to pay a fine within the limits set forth by the law, which foresees a maximum amount equivalent to 10% of the consolidated annual turnover registered in the year prior to the making of the decision. Notwithstanding, such a decision may be contested in court. The proceedings were suspended by the Competition Authority until the legal decision of the various pending interlocutory appeals.

In October 2016, the Lisbon Court of Appeal overruled the decision of the Competition, Regulation and Supervision Court which had decided for the proceedings to be suspended.

The Bank appealed to the Constitutional Court on this sentence. Even though the Constitutional Court already denied the appeal and the decision became final, the Competition Authority has yet to reopen the investigation.

5. On 20 October 2014, Bank Millennium Poland was notified of a class action against the Bank that aims to assess the "illicit" gains of the Bank taking into account certain clauses in mortgage loan agreements in CHF. Customers question a set of clauses notably on the bid-offer spread between PLN and CHF for conversion of credits. On 28 May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3 July 2015, the Claimant filed an appeal against this decision, and the Court of Appeal upheld the appeal by refusing the dismissal of the claim. On 31 March 2016 the Regional Court in Warsaw issued a decision dismissing Bank's motion for a security deposit to secure litigation costs. Bank Millennium filed an appeal on this decision on 6 April 2016, which was denied by the Court of Appeal on 13 July 2016.

On 17 February 2016 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by a further 1,041 group members. The Bank has not yet been notified of this submission. On 2 August 2016, the Regional Court in Warsaw issued a decision ordering the publication of an announcement in the press concerning the commencement of group action proceedings.

Following the Bank's motion to repeal this decision, the Court suspended its execution, but, on 8 August 2016, it issued another decision for the case to be heard in group action proceedings. On 31 August 2016 the Bank appealed against this decision. On 16 December 2016, the Court of Appeal in Warsaw overruled decision of the Regional Court for the case to be heard in group action proceedings and referred the request for the case to be heard in group action proceedings to the Regional Court for re-examination. The hearing was scheduled on 15 March 2017.

On 3 December 2015, the Bank received notice of a class action lawsuit lodged by a group of 454 borrowers represented by the Municipal Consumer Ombudsman in Olsztyn pertaining to low down payment insurance used with CHF – indexed mortgage loans. The Plaintiffs demand the payment of the amount of PLN 3.5 million (Euros 0.79 millions) claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. On 3 March 2016, the Bank filed the response to the lawsuit demanding its dismissal. The first court hearing took place on 13 September 2016 and the court issued the decision on the admissibility of the class action in this case. On 16 February 2017, the Court of Appeal denied the appeal brought forward by the Bank and the previous sentence became definitive.

On 28 December 2015 and 5 April 2016, Bank Millennium was notified of two cases filed by clients (PCZ S.A. and Europejska Fundacja Współpracy Polsko – Belgijskiej / European Foundation for Polish-Belgian Cooperation (EFWP-B)), in the amount of PLN 150 million (Euros 34 million) and of PLN 521.9 million (Euros 118.3 million) respectively. The Authors allege in their petitions that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the Authors. A decision of the Warsaw Regional Court is awaited.

6. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 – debts already fully provisioned in the Bank's accounts –, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:
a) Deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;
b) Have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;
c) Have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defence and counterclaim, demanding the payment of the debt. The Plaintiffs submitted their defence against the counterclaim and the Bank answered in July 2016.

7. Resolution Fund

Resolution measure of Banco Espírito Santo, S.A.
On 3 August 2014, with the purpose of safeguarding the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, S.A. (BES) in accordance with the provisos of article 145 C (1.b) of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC), namely by the partial transfer of assets, liabilities, off-balance sheet items and assets under management into a transition bank, Novo Banco, S.A. (Novo Banco), incorporated on that date by a decision issued by Banco de Portugal. Within the scope of this process, the Resolution Fund made a capital contribution to Novo Banco amounting to Euros 4.9 billion, becoming the sole shareholder.

Within this context, the Resolution Fund asked for loans amounting to Euros 4.6 billion, Euros 3.9 billion of which were granted by the State and Euros 700 million by a group of credit institutions, including BCP.

As announced on 29 December 2015, Banco de Portugal transferred to the Resolution Fund the liabilities emerging from the "eventual negative effects of future decisions regarding the resolution process and which may result in liabilities or contingencies".

On 7 July 2016, the Resolution Fund declared that it would analyse and evaluate the diligences to make, following the publication of the report on the result of the independent evaluation, made to estimate the level of credit recovery for each category of creditors under a hypothetical scenario of a normal insolvency process of BES on 3 August 2014.

In accordance with the applicable law, when the liquidation process is over, if it is ascertained that the creditors, whose credits were not transferred to Novo Banco, would take on a loss higher than the one they would hypothetically take if BES had gone into liquidation right before the application of the resolution measure, such creditors shall be entitled to receive the difference from the Resolution Fund.

Moreover, following this process, a significant number of lawsuits against the Resolution Fund was filed and is underway.

On 20 February 2017, Banco de Portugal communicated that it decided to select the potential investor Lone Star to be part of an exclusive definitive negotiation stage for the conditions under which the sale of the investment that the Resolution Fund held in Novo Banco, S.A. could be carried out.

On 31 March 2017, Banco de Portugal made a communication on the sale of Novo Banco, where it states the following:

"Banco de Portugal selected today the company Lone Star to conclude the sale of Novo Banco. The sale agreement documentation was already signed by the Resolution Fund.

In accordance with the sale agreement, Lone Star will make capital injections into Novo Banco totalling Euros one billion, Euros 750 million of which at the moment the operation is completed and Euros 250 million during the following 3 years.

Via this capital injection, the company Lone Star will become the owner of 75% of the share capital of Novo Banco and the Resolution Fund will own the remaining 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialize. These are related with: (i) the performance of a defined group of assets of Novo Banco and (ii) the performance shown by the bank's capitalization levels.

The eventual capital injections to be made in accordance with this contingent mechanism benefit from a capital buffer resulting from the capital injection to be made, in accordance with the terms and conditions of the operation, and are subject to an absolute maximum threshold.

The conditions agreed also foresee mechanisms to safeguard the interests of the Resolution Fund, to line up the incentives and supervision, despite the limitations resulting from the application of State aid rules.

The completion of the sale depends on receiving the usual regulatory authorisations (including from the European Central Bank and from the European Commission) and also on the execution of a liabilities management exercise, subject to the bondholders joining in, which will encompass the unsubordinated bonds of Novo Banco and generate at least Euros 500 million in own funds eligible for CET1, by offering new bonds."

Resolution measure of Banif – Banco Internacional do Funchal, S.A.
On 19 December 2015, the Board of Directors of Banco de Portugal resolved to announce that Banif was "at risk of insolvency or insolvent" and to open the process for the urgent resolution of the institution through the partial or total sale of its activity, which was completed on 20 December 2015 through the sale to Banco Santander Totta S.A. (BST) of the rights and obligations of Banif, formed by the assets, liabilities, off-balance sheet items and assets under management.

The largest portion of the assets that were not sold were transferred into an asset management vehicle denominated Oitante, S.A. (Oitante) specifically created for that purpose, of which the Resolution Fund is the sole shareholder. For that purpose, Oitante issued bonds representing debt amounting to Euros 746 million. The Resolution Fund provided a guarantee and the Portuguese State a counter-guarantee.

The operation involved State aid, Euros 489 million of which were provided by the Resolution Fund. The Euros 489 million taken by the Resolution Fund were funded through a loan granted by the State.

General aspects
Pursuant to the resolution measures applied to BES and Banif, on 31 December 2016 the Resolution Fund held the entire share capital of Novo Banco and of Oitante.

Within the scope of these measures, the Resolution Fund asked for loans and took on other responsibilities and contingent liabilities:

– Effects of the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation.
– Negative effects of the resolution process that result in additional liabilities or contingencies for Novo Banco, S.A. and that must be neutralized by the Resolution Fund.
– Legal proceedings filed against the Resolution Fund.
– Guarantee of the bonds issued by Oitante S.A. totalling Euros 746 million, of which Oitante, S.A. reimbursed Euros 90 million early. This guarantee is counter-guaranteed by the Portuguese State.

To reimburse the loans obtained and to face other liabilities that it may take on, the Resolution Fund has only the revenues from the initial and regular contributions from the participating institutions (including BCP) and from the contribution levied on the banking industry by Law 55-A/2010. It also provides for the possibility of the member of the Government in charge of finances determining, issuing an ordinance, that the participating institutions should make special contributions, in the situations foreseen in the applicable legislation, namely in case of the Resolution Fund not having own resources for fulfilling its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of the referred Decree-Law, thus the Bank is recognising as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely."

The regime established in Decree-Law no. 24/2013 establishes that Banco de Portugal fixes, by instruction, the rate to be applied each year on the basis of objective incidence of periodic contributions. According to Banco de Portugal instruction no. 19/2015, published on 29 December, the Portuguese banks paid contributions to the Resolution Fund in 2016, calculated according to a base rate of 0.02%. The Instruction no. 21/2016 of Banco de Portugal, published on 26 December sets the base rate to be effective in 2017 for the determination of periodic contributions to the FR by 0.0291%.

Thus, in 2016, the Group made periodic contributions to the Resolution Fund in the amount of Euros 5,204,000.

The amount related to the contribution on the banking sector for the year 2016 was Euros 22,235,000. These contributions were recognised as cost in the months of April and June, in accordance with IFRIC no. 21 – Levies.

In 2015, following the establishment of the Single Resolution Fund ('SRF'), the Group had to make an initial contribution in the amount of Euros 30,843,000. In accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, this amount was not transferred to the SRF but was used instead to partially cover for the disbursements made by the RF in respect of resolution measures prior to the date of application of this Agreement. This amount will have to be reinstated over a period of 8 years (starting in 2016) through the periodic contributions to the SRF. The total amount of the contribution attributable to the Group was Euros 23,955,000, of which the Group delivered Euros 20,306,000 and the remaining was constituted as irrevocable payment commitment, as referred in note 8. The Single Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

By a public statement on 28 September 2016, the RF and the Ministry of Finance communicated the agreement on the basis of a review of the terms of the Euros 3,900,000,000 loan originally granted by the State to the RF in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Portuguese Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund in order to maintain the required contribution to the sector at the current levels.

According to the communication of the Resolution Fund of 21 March 2017:
– The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. These loans amount to Euros 4,953 million, Euros 4,253 million granted by the Portuguese State and Euros 700 million granted by a group of banks;
– "These loans are now due in December 2046, without prejudice to the possibility of being repaid early based on the use of the Resolution Fund's revenues. The due date will be adjusted so that it enables the Resolution Fund to fully meet its liabilities based on regular revenues and without the need for special contributions or any other type of extraordinary contributions. The liabilities resulting from the loans agreed between the Resolution Fund and the Sate and the banks pursuant to the resolution measures applied to BES and Banif are handled *pari passu* with one another;
– "The revision of the loans' conditions aimed to ensure the sustainability and financial balance of the Resolution Fund";
– "The new conditions enable the full payment of the liabilities of the Resolution Fund, as well as the respective remuneration, without the need to ask the banking sector for special contributions or any other type of extraordinary contributions".

It is not possible, on this date, to assess the effects on the Resolution Fund due to: (i) the partial sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including BCP, and the public notice made by the Resolution Fund and by the Office of the Portuguese Ministry of Finance mentioning that such a possibility will not be used, the financial statements as of 31 December 2016 translate the Bank's expectation that no special contributions or other type of extraordinary contributions will be required of the institutions part of the Resolution Fund to finance the resolution measures applied to BES and to Banif.

Eventual alterations regarding this matter may have relevant implications in future financial statements of the Bank.

8. As announced, in 2012 the Bank issued subordinated debt securities in the amount of Euros three billion, convertible into capital in contingency situations (CoCos), which were subscribed by the Portuguese State and which qualify as Tier 1. Until 31 December 2016, were reimbursed Euros 2,300 million of these bonds, so have to be amortized Euros 700 million. If the amortization of this outstanding amount does not occur until 30 June 2017, the unamortized securities will be converted into (ordinary) shares, under conditions established by law. The amortization depends on the prior authorization of the prudential supervision.

Also under the context of timely published information in this respect, the restructuring plan approved by the European authorities provides for a set of commitments, including those relating to the repayment schedule of these instruments, which may require the Bank to adopt measures with adverse impact on its activity, financial condition and results of operations.

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese State of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the rights issue completed in this date.

9. "On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives.

This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds."

10. The Bank was subject to tax inspections for the years up to 2014. As a result of the inspections in question, corrections were made by the tax authorities, arising from the different interpretation of some tax rules. The main impact of these corrections occurred in the case of IRC in terms of the tax loss carry forwards and, in the case of VAT, in the calculation of the tax deduction *pro rata* used for the purpose of determining the amount of deductible VAT.

The additional liquidations / corrections made by the tax administration were mostly object of contestation by administrative and / or judicial.

The Bank recorded provisions or deferred tax liabilities at the amount considered adequate to offset the tax or tax loss carry forwards, as well as the contingencies related to the fiscal years not yet reviewed by the tax administration.

50. SOVEREIGN DEBT OF EUROPEAN UNION COUNTRIES SUBJECT TO BAILOUT

As at 31 December 2016, the Bank's exposure to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euros)

	2016					
Issuer / Portfolio	Book value	Fair value	Fair value reserves	Average interest rate%	Average maturity years	Fair value measurement
GREECE						
Financial assets held for trading	384	384	-	0.00%	-	1

As at 31 December 2015, the Bank's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

(Thousands of Euros)

	2015 (restated)					
Issuer / Portfolio	Book value	Fair value	Fair value reserves	Average interest rate%	Average maturity years	Fair value measurement
GREECE						
Financial assets held for trading	259	259	-	0.00%	-	1

51. TRANSFERS OF ASSETS

The Bank performed a set of transactions of sale of financial assets (namely loans and advances to customers) for funds specialized in the recovery of loans. These funds take the responsibility for management of the borrower companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore / increase the value of the companies / assets.

The specialized funds in credit recovery that acquired the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its participation units throughout the useful life of the fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the funds, ensuring however that, separately, none of the banks hold more than 50% of the capital of the fund.

The funds have a specific management structure (General Partner), fully independent from the assignor banks and that is selected on the date of establishment of the fund.

The management structure of the fund has as main responsibilities to: (i) determine the objective of the fund and (ii) administrate and manage exclusively the fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the funds.

These funds (in which the Bank holds minority positions) establish companies in order to acquire the loans to the banks, which are financed through the issuance of senior and junior securities. The value of the senior securities fully subscribed by the funds that hold the share capital match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties.

The value of the junior securities is equivalent to the difference between the fair value based on the valuation of the senior securities and the value of the transfer of credits. These junior securities, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior securities plus it related interest. Thus, considering these junior assets reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the Bank performs the constitution of impairment losses for all of them.

Therefore, as a result of the transfer of assets occurred operations, the Bank subscribed:
– Senior securities (participation units) of the funds, for which the cash-flows arise mainly from a set of assets transferred from the participant banks. These securities are booked in the available for sale portfolio and are accounted for at fair value based on the last available quote, as disclosed by the Funds and audited at year end, which is disclosed by the management companies;
– Junior securities (with higher subordination degree) issued by the Portuguese law companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Bank, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Bank performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received in return as follows:

(Thousands of Euros)

	Values associated to transfers of assets			
	2016			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR[a]	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR[b]	84,112	82,566	83,212	646
FLIT-PTREL[c]	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund[d]	238,325	201,737	238,325	36,588
Fundo Recuperação FCR[b]	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR[c]	132,635	124,723	132,635	7,912
Discovery Real Estate Fund[c]	211,388	152,155	138,187	(13,968)
Fundo Vega FCR[e]	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

(Thousands of Euros)

	Values associated to transfers of assets			
	2015 (restated)			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR[a]	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR[b]	84,112	82,566	83,212	646
FLIT-PTREL[c]	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund[d]	235,656	200,105	235,656	35,551
Fundo Recuperação FCR[b]	343,172	242,972	232,173	(10,799)
Fundo Aquarius FCR[c]	132,635	124,723	132,635	7,912
Discovery Real Estate Fund[c]	211,388	152,155	138,187	(13,968)
Fundo Vega FCR[e]	113,633	113,633	109,567	(4,066)
	2,002,799	1,584,372	1,610,134	25,762

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

The Income / (loss) obtained with the transfer of assets is recorded in the item Net gains / (losses) arising from trading and hedging activities – Credit sales (note 6).

As at 31 December 2016, the amount of assets received in such transactions are comprised of:

(Thousands of Euros)

	2016				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
FUNDO RECUPERAÇÃO TURISMO FCR					
Gross value	287,929	-	31,274	-	319,203
Impairment	(45,611)	-	(31,274)	-	(76,885)
Net value	242,318	-	-	-	242,318
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR					
Gross value	84,112	-	-	-	84,112
Impairment	(5,463)	-	-	-	(5,463)
Net value	78,649	-	-	-	78,649
FLIT-PTREL					
Gross value	299,479	-	38,155	2,939	340,573
Impairment	(4,713)	-	(38,155)	(2,939)	(45,807)
Net value	294,766	-	-	-	294,766
VALLIS CONSTRUCTION SECTOR FUND					
Gross value	203,172	36,292	-	-	239,464
Impairment	(173,799)	(36,292)	-	-	(210,091)
Net value	29,373	-	-	-	29,373
FUNDO RECUPERAÇÃO FCR					
Gross value	215,996	-	77,085	-	293,081
Impairment	(70,698)	-	(77,085)	-	(147,783)
Net value	145,298	-	-	-	145,298
FUNDO AQUARIUS FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(8,967)	-	-	-	(8,967)
Net value	127,144	-	-	-	127,144
DISCOVERY REAL ESTATE FUND					
Gross value	151,086	-	-	-	151,086
Impairment	-	-	-	-	-
Net value	151,086	-	-	-	151,086
FUNDO VEGA FCR					
Gross value	44,848	-	66,950	-	111,798
Impairment	-	-	(66,950)	-	(66,950)
Net value	44,848	-	-	-	44,848
Total Gross value	1,422,733	36,292	213,464	2,939	1,675,428
Total impairment	(309,251)	(36,292)	(213,464)	(2,939)	(561,946)
TOTAL NET VALUE	1,113,482	-	-	-	1,113,482

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in 2016 amounted to Euros 224,234,000 (2015: Euros 25,246,000), of which Euros 218,381,000 are recorded in Other financial assets impairment (note 13) and Euros 5,853,000 in Other assets impairment (note 29).

As at 31 December 2015, the amount of assets received in such transactions are comprised of:

(Thousands of Euros)

	2015 (restated)				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
FUNDO RECUPERAÇÃO TURISMO FCR					
Gross value	287,929	-	30,808	-	318,737
Impairment	(34,431)	-	(30,808)	-	(65,239)
Net value	253,498	-	-	-	253,498
FUNDO REESTRUTURAÇÃO EMPRESARIAL FCR					
Gross value	83,319	-	-	-	83,319
Impairment	(1,214)	-	-	-	(1,214)
Net value	82,105	-	-	-	82,105
FLIT-PTREL					
Gross value	297,850	-	38,155	2,939	338,944
Impairment	(2,862)	-	(38,155)	(2,939)	(43,956)
Net value	294,988	-	-	-	294,988
VALLIS CONSTRUCTION SECTOR FUND					
Gross value	228,765	35,441	-	-	264,206
Impairment	-	(35,441)	-	-	(35,441)
Net value	228,765	-	-	-	228,765
FUNDO RECUPERAÇÃO FCR					
Gross value	222,737	-	75,130	-	297,867
Impairment	(54,848)	-	(75,130)	-	(129,978)
Net value	167,889	-	-	-	167,889
FUNDO AQUARIUS FCR					
Gross value	136,111	-	-	-	136,111
Impairment	(1,944)	-	-	-	(1,944)
Net value	134,167	-	-	-	134,167
DISCOVERY REAL ESTATE FUND					
Gross value	145,624	-	-	-	145,624
Impairment	(940)	-	-	-	(940)
Net value	144,684	-	-	-	144,684
FUNDO VEGA FCR					
Gross value	46,067	-	63,518	-	109,585
Impairment	-	-	(63,518)	-	(63,518)
	46,067	-	-	-	46,067
Total Gross value	1,448,402	35,441	207,611	2,939	1,694,393
Total impairment	(96,239)	(35,441)	(207,611)	(2,939)	(342,230)
TOTAL NET VALUE	1,352,163	-	-	-	1,352,163

Additionally are booked in loans and advances to customer's portfolio, financing operations associated with the following transfers of assets:

(Thousands of Euros)

	2016			2015 (reestated)		
	Loans	Impairment	Net value	Loans	Impairment	Net value
Fundo Reestruturação Empresarial FCR	857	-	857	958	-	958
FLIT-PTREL	4,203	(10)	4,193	4,539	(41)	4,498
Fundo Recuperação FCR	49,372	(14,373)	34,999	48,953	(14,802)	34,151
Vallis Construction Sector Fund	249,362	(31,322)	218,040	215,029	(1,379)	213,650
Fundo Aquarius FCR	3,962	-	3,962	3,962	-	3,962
Discovery Real Estate Fund	15,376	(38)	15,338	12,255	(56)	12,199
Fundo Vega FCR	5,732	(5)	5,727	1,119	(1)	1,118
	328,864	(45,748)	283,116	286,815	(16,279)	270,536

52. COMPARABILITY OF INFORMATION ON ENTRY OF THE NOTICE NO. 5/2015 OF BANCO DE PORTUGAL

The Bank's separate financial statements up to and including 31 December 2015 were prepared and presented in accordance with the Adjusted Accounting Standards issued by Banco de Portugal. As of 1 January 2016, following the publication of Banco de Portugal Notice no. 5/2015, of 30 December, the Bank's separate financial statements are now prepared in accordance with International Reporting Standards (IAS / IFRS) as adopted by the European Union, which were already used in the preparation and presentation of its consolidated financial statements since 2005.

As a result of this change, the loan portfolio, guarantees provided and other operations of a similar nature became subject to impairment losses, calculated in accordance with the requirements of International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), replacing the register of provisions for specific risks and for general credit risks and for country risk, in accordance with Banco de Portugal Notice No. 3/95, of 30 June. As a result, the Bank retrospectively applied the new policy in its financial statements (restatement), with reference to the first comparative period presented, i.e. 1 January 2015.

In this sense, the Separate Balance Sheet as of 1 January and 31 December 2015 and the Separate Income, Comprehensive Income and Shareholders' Equity Statements of 31 December 2015, presented in the appendix, were restated, with the impact of this restatement consisted an increase in the Bank's separate equity at 1 January 2015 in the amount of Euros 1,262,944,000, a decrease in separate net income as of 31 December 2015 at Euros 141,013,000 and an increase in separate shareholders' equity at 31 December 2015 of Euros 1,121,931,000. These impacts are presented in the following tables:

(Thousands of Euros)

	1 Jan. 2015 (restated)	Reexpression	31 Dec. 2014
Cash and deposits at central banks and credit institutions	756,774	-	756,774
Loans and advances to credit institutions	1,285,458	16,467	1,268,991
Loans and advances to customers	38,293,561	1,532,630	36,760,931
Treasury portfolio and derivatives	9,216,495	-	9,216,495
Other assets	8,882,216	(521,189)	9,403,405
TOTAL ASSETS	58,434,504	1,027,908	57,406,596
Deposits from credit institutions	10,721,087	-	10,721,087
Deposits from customers	35,055,898	-	35,055,898
Financial liabilities held for trading	806,480	-	806,480
Provisions	309,720	(235,036)	544,756
Other Liabilities	7,401,987	-	7,401,987
TOTAL LIABILITIES	54,295,172	(235,036)	54,530,208
Equity	3,706,690	-	3,706,690
Treasury shares	(1,239)	-	(1,239)
Other equity instruments	9,853	-	9,853
Reserves and retained earnings	424,028	1,262,944	(838,916)
TOTAL EQUITY	4,139,332	1,262,944	2,876,388
TOTAL LIABILITIES AND EQUITY	58,434,504	1,027,908	57,406,596

(Thousands of Euros)

	31 Dec. 2015 (restated)	Reexpression	31 Dec. 2015
Cash and deposits at Central Banks and credit institutions	678,055	-	678,055
Loans and advances to credit institutions	791,607	24,233	767,374
Loans and advances to customers	36,385,436	1,279,645	35,105,791
Treasury portfolio and derivatives	8,391,109	-	8,391,109
Other assets	8,748,622	(460,166)	9,208,788
TOTAL ASSETS	54,994,829	843,712	54,151,117
Deposits from credit institutions	8,280,004	-	8,280,004
Deposits from customers	35,150,754	-	35,150,754
Financial liabilities held for trading	644,931	-	644,931
Provisions	153,905	(278,219)	432,124
Other Liabilities	6,216,006	-	6,216,006
TOTAL LIABILITIES	50,445,600	(278,219)	50,723,819
Equity	4,094,235	-	4,094,235
Share premium	16,471	-	16,471
Treasury shares	-	-	-
Other equity instruments	2,922	-	2,922
Reserves and retained earnings	350,557	1,262,944	(912,387)
Net income / (loss) for the year	85,044	(141,013)	226,057
TOTAL EQUITY	4,549,229	1,121,931	3,427,298
TOTAL LIABILITIES AND EQUITY	54,994,829	843,712	54,151,117

(Thousands of Euros)

	31 Dec. 2015 (restated)	Reexpression	31 Dec. 2015
Net interest income	693,850	29,786	664,064
Dividends from equity instruments	154,814	-	154,814
Net fees and commissions income	428,631	-	428,631
Net gains on trading	373,275	(59,428)	432,703
Other operating income / (costs)	(26,495)	-	(26,495)
TOTAL OPERATING INCOME	1,624,075	(29,642)	1,653,717
Staff cost	365,190	-	365,190
Other administrative cost	251,022	-	251,022
Depreciation	23,864	-	23,864
OPERATING EXPENSES	640,076	-	640,076
Loans and other assets impairment and other provisions	(1,038,316)	(170,734)	(867,582)
OPERATING NET (LOSS) / INCOME	(54,317)	(200,376)	146,059
Gians / (losses) arising from the sale of subsidiaries and other assets	101,937	-	101,937
NET INCOME / (LOSS) BEFORE INCOME TAXES	47,620	(200,376)	247,996
Income taxes	37,424	59,363	(21,939)
NET INCOME / (LOSS) FOR THE YEAR	85,044	(141,013)	226,057

(Thousands of Euros)

	Equity (restated)			
	Equity 31.12.2015	Other variations 2015	Net income 2015	Equity 01.01.2015
Previously reported value (NCA's)	3,427,298	324,853	226,057	2,876,388
IMPACT OF THE ENTRY OF NOTICE NO. 5/2015 OF THE BANK OF PORTUGAL				
Loans impairment	1,583,757	-	(200,376)	1,784,133
Deferred tax	(461,826)	-	59,363	(521,189)
	1,121,931	-	(141,013)	1,262,944
Balances under IFRS as adopted by the European Union (restated balances)	4,549,229	324,853	85,044	4,139,332

53. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS, S.A.

As at 31 December 2016, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0
Bank Millennium, S.A.	Varsaw	1,213,116,777	PLN	Banking	50.1
BCP Capital – Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investmente fund management	100.0
Millennium BCP – Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	100.0
Millennium bcp – Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Sevices	83.2
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotex Services	100.0
Servitrust – Trust Management Services S.A.	Funchal	100,000	EUR	Trust Services	100.0
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real estate Management	99.9
Imábida – Imobiliária da Arrábida, S.A.(*)	Oeiras	1,750,000	EUR	Real estate Management	100.0
Setelote – Aldeamentos Turísticos S.A.(*)	Cascais	200,000	EUR	Real estate company	100.0
Irgossai – Urbanização e construção, S.A.(*)	Oeiras	50,000	EUR	Real estate company	100.0
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	Lisbon	5,000	EUR	Real estate company	52.7
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.(*)	Lisbon	250,000	EUR	Real estate company	100.0
Fiparso – Sociedade Imobiliária Lda.(*)	Lisbon	49,880	EUR	Real estate company	73.4

(*) Companies classified as non-current assets held for sale.

In the last quarter of 2016, and as referred in note 24, the Bank liquidated / dissolved the investment held in Bitalpart, B.V. In the last quarter of 2016, the Bank also liquidated / dissolved the investment held in QPR Investimentos, S.A.

As at 31 December 2016, the Banco Comercial Português S.A. associated companies are as follows:

Associated companies	Head office	Sharel capital	Currency	Activity	% held
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extrative industry	20.0
Banque BCP, S.A.S.	Paris	120,748,063	EUR	Banking	19.9
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Oeiras	50,000	EUR	Advisory	25.0
Webspectator Corporation	Delaware	950	USD	Digital adverting services	25.1

In the last quarter of 2016, and as referred in note 24, the Bank sold the investment held in SIBS, S.G.P.S. and sold 31.16% of the share capital held UNICRE – Instituição Financeira de Crédito, S.A. In the last quarter of 2016, the Bank also sold the investment held in Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.

As at 31 December 2016, the Banco Comercial Português S.A. subsidiary insurance companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0

As at 31 December 2016, the Banco Comercial Português S.A. investment funds, are as follows:

Subsidiary companies	Head office	Nominal value units	Currency	Activity	% held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	Lisbon	11,718,513	EUR	Real estate investment fund	100.0
Fundo de Investimento Imobiliário Imorenda	Oeiras	155,507,815	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Oceânico II	Oeiras	304,320,700	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	Oeiras	1,866,709,500	EUR	Real estate investment fund	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	1,832,593,200	EUR	Real estate investment fund	100.0
Fundo de Investimento ImobiliárioFechado Gestimo	Oporto	6,653,257	EUR	Real estate investment fund	100.0
M Inovação – Fundo de Capital de Risco BCP Capital	Lisbon	2,425,000	EUR	Investment fund	60.6
Fundo Especial de Investimento Imobiliário Fechado Intercapital	Oeiras	7,791,600	EUR	Real estate investment fund	100.0
Millennium Fundo de Capitalização - Fundo de Capital de Risco	Oeiras	92,950,000	EUR	Investment fund	100.0
Funsita – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	15,820,000	EUR	Real estate investment fund	100.0
Imoport – Fundo de Investimento Imobiliário Fechado	Oeiras	16,467,338,000	EUR	Real estate investment fund	100.0
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	491,610	EUR	Real estate investment fund	100.0
Grand Urban Investment Fund - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	134,023,100	EUR	Real estate investment fund	100.0
Fundial – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	21,850,850	EUR	Real estate investment fund	100.0
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	4,785,000	EUR	Real estate investment fund	54.0
Fundipar – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	11,945,000	EUR	Real estate investment fund	100.0
MR – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	5,600,000	EUR	Real estate investment fund	100.0

54. SUBSEQUENT EVENTS

In addition to other aspects disclosed throughout this document, we highlight the following subsequent events:

Share capital increase Of Banco Comercial Português, S.A. from Euros 4,268,817,689.20 to Euros 5,600,738,053.72

The Board of Directors of Banco Comercial Português, S.A. ("BCP" or "Bank") has resolved on 9 January 2017, with the favourable prior opinion of the Audit Committee, to increase the share capital of BCP, from Euros 4,268,817,689.20 to Euros 5,600,738,053.72, through an offering to existing holders of BCP's ordinary shares pursuant to their respective pre-emption rights, and other investors who acquire subscription rights, to subscribe for 14,169,365,580 new ordinary, book entry and registered shares, without nominal value (the "Rights Offering"). The resulting number of ordinary shares will be 15,113,989,952.

The subscription price was set at Euros 0.0940 per share. Each holder of BCP's ordinary shares will receive one subscription right for each ordinary share it owns.

Further to the subscription by Chiado (Luxembourg) S.à.r.l. (Chiado), a member of the Fosun group, of the reserved capital increase completed on 18 November 2016 (the "Reserved Capital Increase") through which Chiado holds a shareholding of approximately 16.67% of the total share capital of BCP, Chiado presented an irrevocable anticipated subscription order of an amount of shares that, if satisfied in full, will increase its holding in BCP's share capital to 30% after the Rights Offering, to be achieved through the exercise of the subscription rights corresponding to the number of shares presently held by it and, in addition, an oversubscription order and / or the potential exercise of further subscription rights that may be acquired by Chiado. This order may not be withdrawn except under certain circumstances where material adverse changes have occurred, as long as the same circumstances have led to the termination of the Underwriting Agreement referred to below by the Joint Global Coordinators.

Under the terms of the subscription order, Chiado has committed to (i) a lock-up period related to the sale of shares subscribed by it through its proportional subscription rights corresponding to the number of shares acquired as part of the Reserved Capital Increase, for a period of three years starting from 18 November 2016 and (ii) taking all reasonably appropriate actions to avoid the sale or transfer, within 30 days of closing of the Offering, of any of the shares obtained by Chiado in the Rights Offering. For the avoidance of doubt, this limitation does not prohibit Chiado from pledging the shares subscribed by it.

BCP was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol has requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to circa 30%, but BCP has no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and / or purchase of subscription rights.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, , and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order, (the "Underwriting Agreement").

The 14,169,365,580 new ordinary shares issued pursuant to the Rights Offering, as well as the 157,437,395 shares fully subscribed and paid-up by the shareholder Chiado (Luxembourg) S.à r.l. in the reserved share capital increase of Millennium bcp (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Mercado Regulamentado Euronext Lisbon as of 9 February 2017.

As such, the share capital of BCP from this date amounts to Euros 5,600,738,053.72, represented by 15,113,989,952 ordinary, registered, book-entry shares without nominal value.

Repayment of hybrid capital instruments

Banco Comercial Português, S.A. has proceeded, on 9 February 2017, to the early repayment to the Portuguese state of the remaining core tier 1 hybrid capital instruments, in the amount of Euros 700 million. This repayment, key to the return to normalisation of BCP's activity, was previously approved by the European Central Bank, subject to the success of the rights issue completed in this date.

DECLARATION OF COMPLIANCE

ONLINE DANCE COMPANY

Millennium bcp's support for the Online Dance Company reflects our commitment to innovative projects that bring people together, creating a sense of community. The Online Dance Company is increasingly an integral part of our communication strategy, a key driver for our presence in the world of social media, learning and entertainment, allowing us to attend events and organize actions that maximize the relationship between the Bank, its Clients and the Society.

Board of Directors

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the individual and consolidated balance sheets as at 31 December 2016, (ii) the individual and consolidated income statements for the year ended on 31 December 2016, (iii) the individual and consolidated statement of changes in equity and cash flow statement for the year ended on 31 December 2016, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 31 December 2016, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union.

The Bank's individual and consolidated financial statements relative to 31 December 2016 were approved by the Board of Directors on 10 April 2017.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 10 April 2017.

Porto Salvo, 10 April 2017

António Vítor Martins Monteiro
(Chairman)

Carlos José da Silva
(Vice-Chairman)

Nuno Manuel da Silva Amado
(Vice-Chairman)

Álvaro Roque de Pinho de Bissaia Barreto
(Member)

André Magalhães Luis Gomes
(Member)

António Henriques de Pinho Cardão
(Member)

António Luís Guerra Nunes Mexia
(Member)

Cidália Maria Mota Lopes
(Member)

Jaime de Macedo Santos Bastos
(Member)

João Manuel de Matos Loureiro
(Member)

José Jacinto Iglésias Soares
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

Maria da Conceição Mota Soares
de Oliveira Callé Lucas
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Miguel Maya Dias Pinheiro
(Member)

Raquel Rute da Costa David Vunge
(Member)

Rui Manuel da Silva Teixeira
(Member)

AUDIT COMMITTEE ANNUAL REPORT

PORTUGAL 2020
Millennium bcp continues to provide financial support and advice to large companies as well as SMEs, through lending, as well as products and services designed to simplify a company's daily life. With particular emphasis on internationalization and export, we are a leading bank in the government's Portugal 2020 program, with innovative solutions, like our M 2020 APP, for growing companies that are expanding operations at home and abroad.

AUDIT COMMITTEE ANNUAL REPORT

I - Introduction

The Audit Committee (Committee) of Banco Comercial Português, S.A. (Bank) hereby presents its report on its supervisory functions relating to the 2016 financial year, in compliance with the legal requirements.

Under the terms of the applicable legal and regulatory provisos and of the Articles of Association, the Committee is responsible for:

a) Ensuring compliance with the law and the articles of association;

b) Supervising the Bank's management;

c) Calling the General Meeting of Shareholders, whenever the Chairman of the Board of the General Meeting fails to do so when he/she should;

d) Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;

e) Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of the Executive Committee wherein the Bank's annual accounts are appraised;

f) Assessing the accuracy of the accounting books, accounting records and supporting documents;

g) Verifying the accuracy of the financial statements;

h) Monitoring the preparation and disclosure of financial information;

i) Ensuring the legal review of the individual and consolidated accounts;

j) Drawing up an annual report on its supervisory functions and issuing an opinion on the annual report and accounts and on the proposals presented by the Directors, clearly stating its concurrence with the contents of the legal certification of accounts, if that is the case;

Comissão de Auditoria
Banco Comercial Português, S.A.

k) Monitoring the efficiency of the risk management, internal control and internal auditing systems and issue a prior opinion on the entity appointed by the Bank to assess the adequacy and efficiency of the internal control system;

l) Issuing an opinion on the work plans and resources allocated to the Internal Audit, Risk Office and Compliance Office, being the recipient of the reports made by these services, at least when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities;

m) On an annual basis, evaluating and monitoring the independence of the External Auditor and of the Statutory Auditor and propose their hiring, replacement and dismissal or termination of the contract for the provision of their services whenever there is fair cause for the effect;

n) Issuing an opinion on the remuneration of the Statutory Auditor and of the External Auditor, supervising compliance with the rules concerning the provision of additional services, ensuring that the External Auditor has all the conditions for the exercise of its functions and evaluating its performance on an annual basis;

o) Issuing an opinion on the internal service order that regulates the internal reporting of irregularities;

p) Receiving, handling and following up on the communications on serious irregularities related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies, and remaining domestic and European legislation in force, presented by shareholders, Bank employees or other;

q) Suspending directors and appointing substitute directors under the terms of the law and of the articles of association;

r) Issuing an opinion on the technical and professional profile of the candidates for the position of Head of Internal Audit, of Risk Office and Compliance Officer of the Bank;

s) Issuing an opinion on the share capital increases resolved by the Board of Directors (BoD);

t) Issuing a prior opinion on the engagement of supplies and services to be made between the Bank and holders of a stake equal to or above 2% of the Bank's share capital or entities which have a controlling or group relationship with them or with members of the management body, directly

Comissão de Auditoria

Banco Comercial Português, S.A.

or through third parties, provided that: (i) the material engagement limit exceeds the amount of €100,000/year, per group of suppliers, (ii) the costs have not been previously budgeted and (iii) they are related with the current activities of the company and no special advantage is given to one party to the agreement;

u) Issuing a prior opinion on the credit operations, regardless of their form, or engagement of services to: (i) members of the corporate bodies; (ii) shareholders with stakes equal to or above 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, as well as to (iii) natural or legal persons related to them.

The Committee informs the Board of Directors every quarter, in writing, on the work carried out by it and on the conclusions it has reached without damaging the possibility of reporting, at any moment, any and all situations it finds and deems to be of high risk.

II - Activities carried out

During 2016, the Audit Committee met 22 times, having drawn up minutes of all the meetings. Moreover, by invitation, the members of the Committee participated in the meetings of the Committee for Risk Evaluation.

The Committee received from the Executive Committee, in a timely and appropriate manner, all the information requested.

In the undertaking of its activities, the Committee held regular meetings with the Chief Financial Officer, the Director in charge of Risk, the Statutory Auditor and External Auditor, the Risk Officer, the Compliance Officer, the Head of Internal Audit and the Head of Studies, Planning and ALM Division.

Comissão de Auditoria

Banco Comercial Português, S.A.

Apart from that, in 2016, the Committee met with several members of the Bank's Executive Committee and, using its power to summon any Manager it wishes to hear, met with the Heads of the Divisions for Accounting and Consolidation, International Strategic Research, Tax Advisory, Real Estate Business, Human Resources, Investor Relations, Credit, Treasury, Private Banking, IT and with the Company Secretary and the CEO of ActivoBank.

For the effective undertaking of its functions, the Audit Committee requested and obtained all the data and clarifications relevant for that purpose, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no constraints to its actions.

Throughout the financial year, the Committee undertook, among other, the following activities:

Recapitalisation Plan

The Committee monitored the implementation of the commitments of the Bank's Recapitalisation Plan, within the scope of the access, in 2012, to public investment to increase Core Tier I own funds, including those in the attachment to the Decision nr. 8840-B/2012 and in the Decision of the European Commission and those established with the Directorate-General for Competition of the European Commission.

The Committee also appraised the updates to the Funding and Capital Plan.

Capital Increases

The Committee appraised and resolved to issue a positive opinion on the project for the Bank's share capital increase, accomplished in November 2016 by new entries in cash amounting to 174,582,327.32 Euros (one hundred and seventy-four million, five hundred and eighty-two thousand, three hundred and twenty-seven Euros and thirty-two cents), exclusively reserved for a company of Group Fosun, denominated Chiado (Luxembourg) S.à r.l., in accordance with the terms and conditions presented to it by the Executive Committee.

Comissão de Auditoria

Banco Comercial Português, S.A.

In January 2017, the Audit Committee appraised and resolved to issue a favourable opinion on the increase of the share capital of the Bank through new entries in cash, with a preferential reserve for shareholders, totalling €1,331,920,364.52 (one thousand three hundred and thirty-one million, nine hundred and twenty thousand, three hundred and sixty-four Euros and fifty-two cents).

The Committee also followed-up the early repayment of the convertible bonds held by the State.

Supervision of the preparation and disclosure of the financial information

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries.

Throughout the year, the Committee also regularly monitored the largest credit exposures and impairments of the Group, as well as other impairment and provisions.

The Committee also continued to pay close attention to the accounting of deferred taxes, as well as the assessment of the respective studies on their recovery.

The Committee reviewed the information relative to the Pension Fund of the Group BCP and the actuarial assumptions used to determine the liabilities with retirement pensions.

The valuation of the real estate properties classified as non-recurrent assets held for sale and through participation units in Real Estate Investment Funds wherein the Bank is the majority holder was one of the other matters followed by the Committee throughout the year.

Comissão de Auditoria
Banco Comercial Português, S.A.

The Committee was always informed on the process for the sale of Novo Banco by the Resolution Fund and requested and obtained information from the Executive Committee, namely on the potential and effective impacts, direct and indirect, on Group BCP.

The Committee appraised, on a monthly basis, the financial statements, on an individual and consolidated basis, and the earnings and key financial indicators of the Group companies. It also periodically analysed the Bank's liquidity, cost-to-income and solvency ratios.

In March 2016, and with reference to 2015, the Committee issued an opinion on the Bank's Annual Report. In the beginning of 2017, and with reference to 2016, the Committee appraised the Annual Report drawn up by the Executive Committee and the Legal Certifications of the Accounts and Audit Reports prepared by Deloitte & Associados – SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations.

In accordance with article 420 (5) of the Companies Code, the Committee confirmed that the Corporate Governance Report, included in the Bank's Annual Report, with reference to 2016, contains the data mentioned in article 245-A of the Securities Code.

In view of the result of the work carried out, the Committee issued a favourable opinion on the Bank's Annual Report, which includes the individual and consolidated financial statements for the year ended on 31 December 2016.

The Committee also appraised the Group Budget for 2017, examining the assumptions used, the earnings and activity indicators forecast, the risk factors, the market shares, investments and the evolution of own funds.

Comissão de Auditoria

Banco Comercial Português, S.A.

Follow-up of international operations

Throughout 2016, the Committee regularly monitored the performance of the international operations, namely due to its size and relevance for the Group, of Millennium Bank, in Poland, and of Millennium bim, in Mozambique. It carried out a monthly evaluation of the most relevant business indicators and financial statements of these operations and, whenever justified, assessed, with the Executive Directors, the main risks presented by each operation and country.

At the beginning of 2016, and pursuant to the due diligence process made by independent entities, the Committee appraised the final terms and conditions of the merger by incorporation of Banco Millennium Angola (BMA) into Banco Privado Atlântico, which were afterwards approved by the BoD. Due to the size of the holding owned by BCP in the new institution (denominated Banco Millennium Atlântico), the Committee remained informed on its performance.

Supervision of the effectiveness of the risk management, internal control and internal audit systems

The Committee followed the revision of the internal control system, a revision complemented by the analysis and evaluation made by the external consultant chosen for this purpose since 2011, Deloitte. It also monitored the drafting of the Internal Control Reports, under the responsibility of the BoD - with contributions from the Risk Office, Compliance Office and Internal Audit -, and issued the opinions addressed to the Board of Directors on those Reports, which were sent to the supervision authorities in June 2016.

Likewise, the Committee also monitored the making of the Report on the Prevention of Money Laundering and Terrorism Financing, foreseen in Notice nr. 9 of 2012 of Banco de Portugal, on which it issued an opinion for the BoD. It also appraised the result of the Bank's self-assessment on the prevention of money laundering and terrorism financing.

Comissão de Auditoria

Banco Comercial Português, S.A.

Regularly, it appraised the execution of the recommendations made in the Reports for Internal Control and Prevention of Money Laundering and Terrorism Financing.

It appraised the activities developed by the Risk Office, namely those included in the monthly reports on impairments and on the evolution of the main risk indicators that contain, namely, information on credit, liquidity, market, operational, compliance and reputational risks.

It assessed the Activity Plan of the Internal Audit Division for 2016, as well as the 2015 activity report and the 2016 quarterly reports. On a monthly basis, the head of the Internal Audit informed the Committee on the inspection actions carried out by the supervision authorities.

Also in relation to the Compliance Office, the Committee has assessed the respective Activities Plan for 2016 and the annual report of the activity developed in 2015 and 2016 quarterly reports.

The Committee received ongoing information on all legislative and regulatory main alterations and updated its Regulations.

The Committee was regularly informed on the correspondence exchanged between the Bank and supervision authorities and asked the Executive Committee and the Bank's various areas for additional clarifications and information whenever deemed necessary.

Comissão de Auditoria

Banco Comercial Português, S.A.

Process for the appointment of the Statutory Auditor and of the External Auditor for the triennial 2016/2018

Within the scope of the attributions assigned to it, in the beginning of 2016, the Audit Committee concluded the process for the selection of BCP's Statutory Auditor and External Auditor for the triennial 2016-2018, and resolved to submit to the 2016 Annual General Meeting of Shareholders a proposal where it recommended to the shareholders the selection of the Statutory Auditor and of the External Auditor amongst the companies PricewaterhouseCoopers and Deloitte, indicating that it preferred Deloitte.

The company Deloitte was elected at the General Meeting of Shareholders held on 21 April 2016, beginning to exercise its functions on 2 May 2016, replacing KPMG.

Supervision of the activities of the Statutory Auditor and of the External Auditor

The Committee analysed the conclusions of the audit work on the individual and consolidated financial statements of 2015, carried out by the Statutory Auditor and External Auditor. Throughout 2016, it analysed the conclusions of the Desktop Review of the financial statements for the first quarter and of the Limited Reviews of the interim financial statements for the first half and third quarter. In the beginning of 2017, the Committee analysed the conclusions of the audit analysis to the 2016 financial statements on an individual and consolidated basis, carried out by the Statutory Auditor and by the External Auditor.

Concerning other reports made by the external auditors, the Committee analysed: (i) the report made by KPMG as Statutory Auditor and External Auditor on the impairment of the loan portfolio as of the end of 2015; (ii) the Reports on the Internal Control System prepared by Deloitte and by KPMG; and (iii) the Report on the Prevention of Money Laundering and Terrorism Financing, prepared by KPMG.

Comissão de Auditoria

Banco Comercial Português, S.A.

The Committee appraised the proposals for contracting additional services to be provided by the External Auditor, within the scope of the "Policy for the Approval of Audit Services provided by External Auditors".

The Committee supervised the independence of KPMG and of Deloitte as Statutory Auditors and External Auditors by means of an ongoing evaluation of their performances. Concerning the period of time comprised between 2 May and 31 December of 2016, the Audit Committee concluded that Deloitte exercised its activity in an independent manner and that its performance was globally positive. However, the quality of the services provided has room for improvement. This conclusion was supported by a formal assessment of independence and performance, made by the Committee in the beginning of 2017, which included, among other elements, surveys especially designed for that purpose and the independence confirmation statement provided by the Deloitte itself.

Issue of opinions on operations made with members of corporate bodies and holders of stakes above 2% or more in the Bank's share capital

The Committee followed-up the Bank's credit exposure to members of the BoD and to qualified shareholders and entities related to them and issued an opinion on seventeen credit operations that were presented to the BoD. The Committee also issued an opinion on two other contracts established with entities related with members of the BoD and holders of qualified stakes.

Complaints and claims

The Committee was regularly informed on the handling of complaints and claims from customers by the Client Ombudsman's Office and by the Quality and Network Support Division. It also monitored the claims addressed to it through the channel "Comunicar Irregularidades – whistleblowing".

Comissão de Auditoria

Banco Comercial Português, S.A.

III – Acknowledgements

The Committee expresses its gratitude to the remaining Corporate Bodies and Services of the Bank it contacted, in particular, the Head of the Support Office of the Board of Directors, for all the collaboration provided in the performance of its duties.

The Committee recognizes the valuable support provided by Mr. José Rodrigues de Jesus during the period of time in which he, due to his appointment by the State, exercised the functions of Director and member of the Audit Committee.

Lisbon, 10 April 2017

João Matos Loureiro
(Chairman)

Jaime Santos Bastos
(Member)

Cidália Mota Lopes
(Member)

Comissão de Auditoria
Banco Comercial Português, S.A.

OPINION OF THE AUDIT COMMITTEE

SUPPORT FOR SAILING
Millennium bcp sponsors a wide variety of cultural, sporting and educational activities as part of our social responsibility strategy. The sailboats pictured above belong to Clube Naval de Cascais and are used for courses for children and adults.

OPINION OF THE AUDIT COMMITTEE

RELATING TO THE 2016 FINANCIAL YEAR

1. Under the terms of the Law and of the applicable Articles of Association, the Audit Committee appraised the Annual Report and the Financial Statements of Banco Comercial Português, S.A. (Bank), for the 2016 financial year, drawn up by the Executive Committee, and the Legal Certifications of the Accounts and Audit Reports, as well as the Additional Report to the Supervision Body, prepared by Deloitte & Associados - SROC, S.A. (Deloitte), on the individual and consolidated financial statements, which were issued without reservations, and where it is underlined the alteration to the accounting standards on individual accounts, which are now based on the International Financial Reporting Standards (IFRS).

2. The Audit Committee monitored the drawing up of the Annual Report, as well as the final version approved by the Executive Committee. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Tax Advisory Division, the Audit Division, the Risk Office, the Compliance Office, the Research, Planning and ALM Division, the Company Secretary, as well as with the Statutory Auditor and External Auditor, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of compliance with the articles of association and with the applicable legal provisos.

3. The signatories state that, to the best of their knowledge, the financial information analysed was drawn up in accordance with the applicable accounting standards, and reflected a true and fair view of the assets and liabilities, financial situation and earnings of the Bank and of the companies included in its consolidation perimeter and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

Comissão de Auditoria

Banco Comercial Português, S.A.

4. As usual, the Audit Committee analysed the Legal Certifications of Accounts and Audit Reports, made this year according to new formats resulting from the EU Regulation nr. 537/2014, dated 16 April, and from Law nr.140/2015, dated 7 September. These new formats include the denominated "Audit Relevant Issues" which, concerning the Bank, Deloitte defined as:

   a. Loan impairment;

   b. Recovery of deferred tax assets;

   c. Pension Fund contributions;

   d. Valuation of the real estate properties classified as non-current assets held for sale and through participation units in Real Estate Investment Funds mainly owned by the Bank;

   e. Resolution Fund.

   All these issues were, throughout 2016, monitored by the Audit Committee aided by the contributions provided by the Executive Committee, by the Bank's relevant Divisions and by the External Auditors.

5. As a result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by Deloitte and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on the 31 December 2016, approved on 10 April 2017 by the Board of Directors, of which the members of the Audit Committee are part.

Comissão de Auditoria

Banco Comercial Português, S.A.

6. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português, S.A. should approve:

   a) The Annual Report and other documents pertaining to the individual and consolidated financial statements for the financial year ended on 31 December 2016;

   b) The proposal made by the Board of Directors for the appropriation of the net income computed in the 2016 individual balance sheet, amounting to 69,308,443.65 Euros, as follows:

   6,930,844.37 Euros for reinforcement of the Legal Reserve; 62,377,599.28 Euros for Retained Earnings.

Lisbon, 10 April 2017

João Matos Loureiro

Jaime Santos Bastos

Cidália Mota Lopes

Comissão de Auditoria

Banco Comercial Português, S.A.

EXTERNAL AUDITORS' REPORT

APP M 2020

Millennium bcp's digital footprint is increasing at a steady rate, aligning our products and services with the changing needs of our Customer base. With apps and online banking for Retail Customers, as well as purpose-built applications for corporate and small-business Customers, we strengthen our commitment to providing innovative, modern applications that stand out and distinguish us in a competitive market.

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STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Banco Comercial Português, S.A. (“the Bank”) and of its subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2016 (that presents a total of 71,264,811 t.euros and total equity of 5,265,181 t.euros, including a net profit attributable to the shareholders of the Bank of 23,938 t.euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated financial position of Banco Comercial Português, S.A. and its subsidiaries as at 31 December 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). Our responsibilities under those standards are described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Impairment for loans to customers (Notes 1.c), 1.ad), 22, 37 and 52)	
The accumulated impairment losses for loans and provisions for guarantees and other commitments recorded by the Group ("impairment losses") as of 31 December 2016 amount to 3,740,851 t.euros and 128,056 t.euros, respectively. Impairment losses represent the Group's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the consolidated financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the consolidated financial statements. The determination of impairment losses through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the recoverable amount expected by the Group, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future holding of the loans. The Group's loan portfolio includes relevant exposures to economic groups whose main activity relates to Construction and Real Estate, which have been particularly affected by the economic context of the countries in which they operate. Collective impairment is based on a model of a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely operations characteristics, the value of collateral and risk parameters, such as the probability of default and loss given default.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loan portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Bank, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the consolidated financial statements based on the review of the Bank's judgments on the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of the Management regarding management and future holding of those loans. • Regarding collective impairment: (i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Group; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and the collaterals value considered in the determination of impairment losses. In the execution of these procedures, we have involved our specialists in this area. • Review of the disclosures included in the consolidated financial statements related to impairment for loans to customers, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Impairment for loans to customers (Notes 1.c), 1.ad), 22, 37 and 52)	
Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, which may have a relevant impact on the determination of impairment. Considering this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or certain complexity, as well as the materiality of the amounts in the context of the Bank's consolidated financial statements, impairment for loans to customers was considered as a key audit matter.	
Recoverability of deferred tax assets and application of Regulatory Decree No. 5/2016 (Notes 1.x), 1.ad) and 31)	
As of 31 December 2016, the balance of deferred tax assets amounts to 3,184,925 t.euros, of which 1,468,250 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including: • 878,342 t.euros of impairment losses; and • 494,785 t.euros of tax losses carried forward (essentially related to the individual activity of the Bank and originated in 2014 and 2016). According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2014 and 2016 have a 12-year reporting period (i.e. up to 2026 and 2028, respectively). In 2016, the Group opted for the application of the transitional rule provided for in Regulatory Decree No. 5/2016, of 18 November (DR 5/2016), considering its interpretation. Therefore, the calculation of the taxable income of 2016 was influenced by the unused tax losses generated in taxation periods started on or after 1 January 2012, including tax losses for which the corresponding deferred tax assets were not recorded as of 31 December 2015 as there were no perspectives as of that date of its future utilization.	• Analysis of the relevant control activities implemented by the Bank in the process of analysing the recoverability of deferred tax assets. • Understanding of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2017 and 2028. • Review, with the involvement of our specialists in this area, of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits, including the effects of the application of DR 5/2016. • Review of the calculations made by the Bank in the analysis of the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Review of the disclosures included in the consolidated financial statements for these matters, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Recoverability of deferred tax assets and application of Regulatory Decree No. 5/2016 (Notes 1.x), 1.ad) and 31)	
In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period 2017-2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions made by the Management to calculate the evolution of pre-tax profit and its interpretation of the tax legislation. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Any changes in the assumptions used in the estimation of future results or in the interpretation of the tax legislation may have a material impact on deferred tax assets. Given the materiality of deferred tax assets in the Bank's consolidated financial statements and the need to use estimates to determine their recoverability, this area was considered as a key audit matter.	
Liabilities with retirement pensions - New Collective Labour Agreements and main actuarial assumptions (Notes 1.w), 1.ad) and 49)	
The Group has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As of 31 December 2016, the liabilities for past services of the Group with retirement pensions and other associated benefits amount to 3,092,649 t.euros. In December 2016, revised versions of Collective Labour Agreements ("new CLAs") were signed with two unions, which led to the recognition of an income amounting to 191,507 t.euros. The Group's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table.	• Analysis of the relevant control activities implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and reading of its independence statement in the actuarial study of 31 December 2016 sent to ASF.

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Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Liabilities with retirement pensions - New Collective Labour Agreements and main actuarial assumptions (Notes 1.w), 1.ad) and 49)	
Any changes in actuarial assumptions may have a material impact on past service pension liabilities. Given the relevance of the impacts recognized in 2016 related with the new CLAs and the importance of the actuarial assumptions in determining the liabilities with past services related to pensions in the context of the Bank's consolidated financial statements, we considered this area as a key audit matter.	• Analysis of the main impacts recognized in 2016 following the signature of the new CLAs, including: o Reading of the new CLAs; o Review of the accounting treatment given by the Bank to the main changes introduced by the new CLAs, considering the requirements of IAS 19 - Employee benefits; and o Discussion with the responsible actuary and with the Management on the nature of the main changes and the methodology adopted in the quantification of the respective impact on pension liabilities. In the execution of these procedures, we involved our specialists in this area. • Reading of the actuarial study with reference to 31 December 2016 and discussion with the actuary responsible on the main actuarial assumptions used. • Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by the Management. • Review of the disclosures included in the consolidated financial statements for this matter, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Valuation of properties classified as non-current assets held for sale (Notes 1.k), 1.ad), 27 and 52)	
As of 31 December 2016, the net book value of properties classified as non-current assets held for sale amounts to 2,187,221 t.euros, which are recorded at the lower between book value and fair value less costs to sell, as described in IFRS 5 - Non-current assets held for sale and discontinued operations. The valuation of these assets, and consequently the impairment losses recorded in the Group's accounts as of 31 December 2016, is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and when applicable expectations regarding the development of real estate projects, and also considers the intentions of the Bank's Management regarding the commercialization of these assets. The assumptions used in the valuation of these properties have an impact on its valuation and therefore on the determination of impairment. Taking into consideration the relevance of these assets in the Bank's consolidated financial statements and the judgmental component incorporated in their valuation, this area was considered as a key audit matter.	• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale. • Verification of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis of the reasonableness of the valuation recorded in the consolidated accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers, which include the methodology and main assumptions used; meetings held with the external appraisers and understanding of the strategy defined by the Group for these assets. In addition, for properties held by the Group through real estate investment funds (which are classified in the consolidated accounts as non-current assets held for sale), we read the Audit Reports referring to the financial statements of those funds as of 31 December 2016. In the execution of these procedures, we have involved our specialists. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Resolution Fund (Note 55)	
Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund became holder of the entire share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted loans to the Resolution Fund and the Resolution Fund has assumed other liabilities and contingent liabilities. The Bank participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the proceeds of the Resolution Fund are essentially the periodic contributions from participating institutions (including the Bank) and contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies. As of 31 December 2016, the Portuguese State's loan to the Resolution Fund of 3,900,000 t.euros and the banking syndicate's loan of 700,000 t.euros, after a first amendment to the initial contracts, were to mature on 31 December 2017, although it was public since September 2016 that all contracts were being renegotiated, including the extension of its maturity.	• Analysis of the loan agreement celebrated between the Banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Reading of the last Report and Accounts of the Resolution Fund that refers to the year 2015. • Analysis of a simplified model of cash flow projections of the Resolution Fund presented to us by the Bank. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the consolidated financial statements related to this matter, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Resolution Fund (Note 55)	
According to a public notice from the Resolution Fund dated 21 March 2017, the conditions of the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif were *de facto* renegotiated in the first quarter of 2017, including the extension of the maturity date for 31 December 2046 including the possibility of adjusting that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector. It was also established the *pari passu* treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which the Bank is a part, and the loan agreements entered into with the Portuguese State. The consolidated financial statements as of 31 December 2016 do reflect the Bank's expectation that no special contributions or any other extraordinary contributions will be required of to finance the resolution measures applied to BES and Banif. Taking into account the potential impact of the responsibilities of the Resolution Fund in the Group and the judgments of the Management in this matter as described above, this was considered a key audit matter.	

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Other matters

The consolidated balance sheet as of 31 December 2015, the consolidated statements of income, comprehensive income and changes in shareholders' equity (restated - Note 58) and the consolidated statement of cash flows for the year ended 31 December 2015 are presented to comply with the requirements for publication of accounts. The consolidated statutory financial statements of the Bank for the year ended 31 December 2015 were examined by other Statutory Auditors, whose Legal Certification of Accounts and Audit Report, dated 28 March 2016, did not include any qualifications or emphases of matters.

Responsibilities of Management and Supervisory Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;

- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Group's consolidated financial closing and reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

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- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we are the ultimate responsibles for our audit opinion;

- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;

- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be perceived to threat our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the consolidated financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations and the financial information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge of the Group, we did not identify material misstatements.

About the Corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

Page 11 of 11

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed/elected auditors of Banco Comercial Português, S.A. (parent-company of the Group) for the first time in the shareholders' general assembly that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the consolidated financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's Supervisory Body as at 10 April 2017.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Group during the execution of the audit.

Lisbon, 10 April 2017

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

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STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Banco Comercial Português, S.A. ("the Bank"), which comprise the separate balance sheet as at 31 December 2016 (that presents a total of 53,781,865 t.euros and total equity of 4,451,545 t.euros, including a net profit of 69,308 t.euros), the separate income statement, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the accompanying notes to the separate financial statements, which include a summary of the significant accounting policies.

In our opinion, the accompanying separate financial statements present true and fairly, in all material respects, the separate financial position of Banco Comercial Português, S.A. as at 31 December 2016 and its separate financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the separate financial statements" section below. We are independent from the Bank in the terms of the law and we have fulfilled the other ethical requirements under the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

The Bank's separate financial statements up to 31 December 2015, inclusive, were prepared and presented in accordance with the Adjusted Accounting Standards ("Normas de Contabilidade Ajustadas") issued by the Bank of Portugal ("Banco de Portugal"). Following the publication of Bank of Portugal Notice 5/2015 of 30 December, the Bank's separate financial statements from 1 January 2016 onwards are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS), which were already used for the preparation and presentation of its consolidated financial statements since 2005. Following this change, the portfolio of loans and guarantees granted and other operations of a similar nature started being subject to the recognition of impairment losses, computed in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), instead of provisions for specific risks and general credit risks and country risk, recorded in accordance with Bank of Portugal Notice 3/95, of 30 June. Consequently, the Bank applied the new policy retrospectively in its separate financial statements (restatement), with reference to the beginning of the first comparative period presented, that is, 1 January 2015. In this regard, the accompanying separate balance sheet as of 1 January and 31 December 2015 and separate statements of income, comprehensive income and changes in equity for the year ended 31 December 2015 were restated, and the corresponding impact net of tax effect consisted in an increase of separate equity as of 1 January 2015 in the amount of 1,262,944 t.euros, in a decrease of separate net result for the year 2015 of 141,013 t.euros, and an increase in separate equity as of 31 December 2015 of 1,121,931 t.euros (Note 52).

Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. Those matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Impairment for loans to customers (Notes 1.b), 1.ab), 20, 34 and 46)	
The accumulated impairment losses for loans and provisions for guarantees and other commitments granted by the Bank ("impairment losses") as of 31 December 2016 amount to 3,244,345 t.euros and 110,601 t.euros, respectively. Impairment losses represent the Bank's Management's best estimate of the losses incurred on its credit portfolio at the reference date of the separate financial statements. These impairment losses are determined through individual analysis for clients with high exposure and risk and through collective analysis for exposures subject to individual analysis to which no individual impairment was attributed and for the remaining exposures that are not subject to individual analysis, as described in the section Accounting policies of the Notes to the separate financial statements. The determination of impairment losses through individual analysis inherently has a strong judgmental component from Management about the information available, namely in identifying evidence of impairment and in estimating the present value of the recoverable amount expected by the Bank, that incorporates also assumptions about future events that may not occur as expected and reflects the Management's intentions at each moment regarding management and future holding of the loans. The Bank's loan portfolio includes relevant exposures to economic groups whose main activity relates to Construction and Real Estate, which have been particularly affected by the economic context of the countries in which they operate. Collective impairment is based on a model of a certain degree of complexity, as it incorporates in the computation of the impairment several variables, namely operations characteristics, the value of collateral and risk parameters, such as the probability of default and loss given default. Different methodologies or assumptions used in the impairment analysis and different recovery strategies affect the estimate of the recovery cash flows and their expected timing, which may have a relevant impact on the determination of impairment.	• Analysis of the relevant control activities implemented by the Bank in the process of identification and determination of impairment losses for its loan portfolio. • Selection of a sample of clients subject to individual impairment analysis by the Bank, which included exposures that presented higher risk characteristics as well as randomly selected exposures. • For the selected sample, analysis of the reasonableness of the estimated impairment losses recorded in the separate financial statements based on the review of the Bank's judgments on the information available regarding the economic and financial situation of the clients, valuation of the collaterals and prospects about the evolution of their activity and also the intentions of the Management regarding management and future holding of those loans. • Regarding collective impairment••(i) understanding of the main characteristics of the impairment model and critical analysis of the reasonableness of the methodologies used by the Bank; (ii) analysis on a sample basis of the calculation of risk parameters and collective impairment; and (iii) validation on a sample basis of the inputs used to determine the main risk parameters and the collaterals value considered in the determination of impairment losses. In the execution of these procedures, we have involved our specialists in this area. • Review of the disclosures included in the separate financial statements related to impairment for loans to customers, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Impairment for loans to customers (Notes 1.b), 1.ab), 20, 34 and 46)	
Considering this is an area in which Management has to make estimates that incorporate a high degree of subjectivity or certain complexity, as well as the materiality of the amounts in the context of the Bank's separate financial statements, impairment for loans to customers was considered as a key audit matter.	
Recoverability of deferred tax assets and application of Regulatory Decree No. 5/2016 (Notes 1.w), 1.ab) and 28)	
As of 31 December 2016, the balance of deferred tax assets amounts to 3,050,307 t.euros, of which 1,394,807 t.euros are dependent on the existence of future taxable income (deferred tax assets not eligible under the Special Regime applicable to deferred taxes assets, approved by Law no. 61/2014, of 26 August), including: • 819,818 t.euros of impairment losses; and • 490,688 t.euros of tax losses carried forward originated in 2014 and 2016. According to Law No. 2/2014 of 16 January, the use of tax losses in future periods of taxation cannot exceed 70% of the taxable income in each of those periods, and the tax losses originated in 2014 and 2016 have a 12-year reporting period (i.e. up to 2026 and 2028, respectively). In 2016, the Bank opted for the application of the transitional rule provided for in Regulatory Decree No. 5/2016, of 18 November (DR 5/2016), considering its interpretation. Therefore, the calculation of the taxable income of 2016 was influenced by the unused tax losses generated in taxation periods started on or after 1 January 2012, including tax losses for which the corresponding deferred tax assets were not recorded as of 31 December 2015 as there were no perspectives as of that date of its future utilization. In accordance with IAS 12 - Income taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable income will exist on the estimated date of their reversal. The Bank prepared an estimate of its taxable income for the period 2017-2028 to assess the recoverability of deferred tax assets. This estimate is by nature judgmental and depends on the assumptions made by the Management to calculate the evolution of pre-tax profit and its interpretation of the tax legislation.	• Analysis of the relevant control activities implemented by the Bank in the process of analysing the recoverability of deferred tax assets. • Understanding of the main assumptions considered by the Bank to estimate the evolution of pre-tax profits in the period between 2017 and 2028. • Review, with the involvement of our specialists in this area, of the reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits, including the effects of the application of DR 5/2016. • Review of the calculations made by the Bank in the analysis of the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. • Review of the disclosures included in the separate financial statements for these matters, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	**Summary of the auditor's response to the assessed risks of material misstatement**
Recoverability of deferred tax assets and application of Regulatory Decree No. 5/2016 (Notes 1.w), 1.ab) and 28)	
To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results. Any changes in the assumptions used in the estimation of future results or in the interpretation of the tax legislation may have a material impact on deferred tax assets. Given the materiality of deferred tax assets in the Bank's separate financial statements and the need to use estimates to determine their recoverability, this area was considered as a key audit matter.	
Liabilities with retirement pensions - New Collective Labour Agreements and main actuarial assumptions (Notes 1.v), 1.ab) and 44)	
The Bank has assumed the responsibility of paying to its employees and pensioners retirement pensions and other associated benefits under the terms defined in collective labour agreements. As of 31 December 2016, the liabilities for past services of the Bank with retirement pensions and other associated benefits amount to 3,068,359 t.euros. In December 2016, revised versions of Collective Labour Agreements ("new CLAs") were signed with two unions, which led to the recognition of an income amounting to 187,635 t.euros. The Bank's liabilities associated with the defined benefit plans were determined by the responsible actuary, considering a set of actuarial assumptions, including the discount rate, the growth rate of wages and pensions, and the mortality table. Any changes in actuarial assumptions may have a material impact on past service pension liabilities. Given the relevance of the impacts recognized in 2016 related with the new CLAs and the importance of the actuarial assumptions in determining the liabilities with past services related to pensions in the context of the Bank's separate financial statements, we considered this area as a key audit matter.	• Analysis of the relevant control activities implemented by the Bank in determining the main actuarial assumptions used in the calculation of liabilities with past services related to pensions. • Verification of the certification of the responsible actuary within the Insurance and Pension Funds Supervisory Authority ("Autoridade de Supervisão de Seguros e Fundos de Pensões" (ASF)) and reading of its independence statement in the actuarial study of 31 December 2016 sent to ASF. • Analysis of the main impacts recognized in 2016 following the signature of the new CLAs, including: o Reading of the new CLAs; o Review of the accounting treatment given by the Bank to the main changes introduced by the new CLAs, considering the requirements of IAS 19 - Employee benefits; and o Discussion with the responsible actuary and with the Management on the nature of the main changes and the methodology adopted in the quantification of the respective impact on pension liabilities. In the execution of these procedures, we involved our specialists in this area. • Reading of the actuarial study with reference to 31 December 2016 and discussion with the actuary responsible on the main actuarial assumptions used.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Liabilities with retirement pensions - New Collective Labour Agreements and main actuarial assumptions (Notes 1.v), 1.ab) and 44)	
	• Analysis of the reasonableness of the main actuarial assumptions used in the quantification of pension liabilities, taking into consideration: (i) actuarial study; (ii) available market data; (iii) historical information (experience gains or losses); and (iv) information provided by the Management. • Review of the disclosures included in the separate financial statements for this matter, considering the applicable accounting framework.
Valuation of properties classified as non-current assets held for sale and held through real estate investment funds in which the Bank owns the majority of the participation units (Notes 1.c), 1.k), 1.ab), 21, 25 and 46)	
As of 31 December 2016, the caption Non-current assets held for sale include 1,549,485 t.euros related to properties, of which 1,420,029 t.euros refer to properties held directly by the Bank and 129,456 t.euros to properties held by real estate companies. In addition, the caption Available-for-sale financial assets include 610,305 t.euros of real estate investment funds in which the Bank owns the majority of the participation units. These assets are recorded in accordance with applicable accounting standards (IFRS 5 for non-current assets held for sale and IAS 39 for available-for-sale financial assets). The valuation of these assets, and consequently the impairment losses recorded in the Bank's accounts as of 31 December 2016, is supported by appraisals carried out by independent appraisers, which incorporate several assumptions namely about the evolution of the real estate market, property best use, and when applicable expectations regarding the development of real estate projects, and also considers the intentions of the Bank's Management regarding the commercialization of these assets. In addition, the valuation of the participation units in the real estate investment funds was based on the most up-to-date information the Management has available regarding its Net Asset Value, which depends on the funds' properties appraisals carried out by independent external appraisers. The assumptions used in the valuation of these properties have an impact on its valuation and therefore on the determination of impairment losses.	• Analysis of the relevant control activities implemented by the Bank in the process of valuing properties classified as non-current assets held for sale and held through real estate investment funds in which the Bank owns the majority of the participation units. • Verification of the registration of the external appraisers in the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários" (CMVM)) and analysis of their independence. • Analysis of the reasonableness of the valuation recorded in the separate accounts for a selected sample of properties, based on the appraisals carried out by the external appraisers which include the methodology and main assumptions used; meetings held with the external appraisers and understanding of the strategy defined by the Bank for these assets. Additionally, regarding the real estate investment funds in which the Bank owns the majority of the participation units (which are classified in the separate accounts as available-for-sale financial assets), we read the Audit Reports referring to the financial statements of those funds as of 31 December 2016. In the execution of these procedures we have involved our specialists. • Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Valuation of properties classified as non-current assets held for sale and held through real estate investment funds in which the Bank owns the majority of the participation units (Notes 1.c), 1.k), 1.ab), 21, 25 and 46)	
Taking into consideration the relevance of these assets in the Bank's separate financial statements and the judgmental component incorporated in their valuation, this area was considered as a key audit matter.	
Resolution Fund (Note 49)	
Following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif - Banco Internacional do Funchal, S.A. (Banif), the Resolution Fund became holder of the entire share capital of Novo Banco, S.A. and Oitante, S.A.. In this context the Portuguese State and a banking syndicate have granted loans to the Resolution Fund and the Resolution Fund has assumed other liabilities and contingent liabilities. The Bank participated in the banking syndicate through a loan agreement. In order to reimburse these loans and to meet other responsibilities it may assume, the proceeds of the Resolution Fund are essentially the periodic contributions from participating institutions (including the Bank) and contributions over the banking sector. It is also provided the possibility of the member of the Portuguese Government responsible for the finance area to determine by ministerial order that the participating institutions make special contributions in the situations provided for in the applicable legislation, particularly in the event that the Resolution Fund does not have sufficient own resources for the fulfilment of its obligations. The cost with periodic contributions and with the contribution over the banking sector is recorded on an annual basis, as provided in IFRIC 21 - Levies. As of 31 December 2016, the Portuguese State's loan to the Resolution Fund of 3,900,000 t.euros and the banking syndicate's loan of 700,000 t.euros, after a first amendment to the initial contracts, were to mature on 31 December 2017, although it was public since September 2016 that all contracts were being renegotiated, including the extension of its maturity.	• Analysis of the loan agreement celebrated between the Banks and the Resolution Fund and the respective amendments signed in August 2016 and February 2017. • Analysis of the public communications from the Resolution Fund and from the Office of the Portuguese Minister of Finance of 28 September 2016 and of the public communication from the Resolution Fund of 21 March 2017, regarding the new conditions of the loans to the Resolution Fund and the corresponding impact on its sustainability and financial soundness. • Reading of the last Report and Accounts of the Resolution Fund that refers to the year 2015. • Analysis of a simplified model of cash flow projections of the Resolution Fund presented to us by the Bank. • Review of the accounting framework of the contributions to the Resolution Fund. • Review of the disclosures included in the separate financial statements related to this matter, considering the applicable accounting framework.

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Description of the most significant risks of material misstatement identified	Summary of the auditor's response to the assessed risks of material misstatement
Resolution Fund (Note 49)	
According to a public notice from the Resolution Fund dated 21 March 2017, the conditions of the loans that the Resolution Fund obtained to finance the resolution measures applied to BES and Banif were *de facto* renegotiated in the first quarter of 2017, including the extension of the maturity date for 31 December 2046 including the possibility of adjusting that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector. It was also established the *pari passu* treatment of the Resolution Fund's obligations arising from the loan agreement entered into with the banking syndicate of which the Bank is a part, and the loan agreements entered into with the Portuguese State. The separate financial statements as of 31 December 2016 do reflect the Bank's expectation that no special contributions or any other extraordinary contributions will be required to it to finance the resolution measures applied to BES and Banif. Taking into account the potential impact of the responsibilities of the Resolution Fund in the Bank and the judgments of the Management in this matter as described above, this was considered a key audit matter.	

Other matters

The separate balance sheet as of 31 December 2015, the separate statements of income, comprehensive income and changes in equity (restated - Note 52) and the separate statement of cash flows for the year ended 31 December 2015 are presented to comply with the requirements for publication of accounts. The separate statutory financial statements of the Bank for the year ended 31 December 2015 were examined by other Statutory Auditors, whose Legal Certification of Accounts and Audit Report, dated 28 March 2016, did not include any qualifications or emphases of matters.

The accompanying separate financial statements refer to the activity of Banco Comercial Português, S.A. at the individual level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 1.j), financial investments in subsidiaries and associates are recorded at acquisition cost less impairment losses. The accompanying separate financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in the consolidated financial statements to be approved and published separately. Additional information on subsidiary and associated entities is given in Notes 24 and 53.

Responsibilities of Management and Supervisory Body for the separate financial statements

Management is responsible for:

- the preparation of separate financial statements that present true and fairly the financial position, the financial performance and the cash flows of the Bank in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);
- the preparation of the management report, including the corporate governance report, under the applicable legal and regulatory terms;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Bank's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Supervisory Body is responsible for overseeing the Bank's separate financial closing and reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exist, we should draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether those separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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- we communicate with those charged with governance, including the Supervisory Body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control identified during the audit;

- from the matters we communicate with those charged with governance, including the Supervisory Body, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter;

- we declare to the Supervisory Body that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be perceived to threat our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement of the information included in the Management report with the separate financial statements and the verifications included in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais").

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the Management report was prepared in accordance with the current applicable law and regulations and the financial information included therein is in agreement with the audited separate financial statements, and considering our knowledge of the Bank, we did not identify material misstatements.

About the Corporate governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report to comply with the requirements of items c), d), f), h), i) and m) of the referred article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, and beyond the key audit matters mentioned above, we further report the following:

- We have been appointed/elected auditors of Banco Comercial Português, S.A. for the first time in the shareholders' general assembly that took place on 21 April 2016, with effect as from 2 May 2016, for a mandate covering the period between 2016 and 2018.

- The Management confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the separate financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the separate financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Bank's Supervisory Body as at 10 April 2017.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors ("Estatuto da Ordem dos Revisores Oficiais de Contas") and that we kept our independence from the Bank during the execution of the audit.

Lisbon, 10 April 2017

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

Independent Limited Assurance Report

(Free translation from the original in Portuguese)

To the Board of Directors,

Introduction

1. We were engaged by the Board of Directors of Banco Comercial Português, S.A. ("Millennium bcp"), to perform a limited assurance engagement on the sustainability information, available on the Annual Report 2016 ("Report"), relating to 2016, prepared by the Company for the purpose of communicating its sustainability performance in the reference year.

Responsabilities

2. It is the responsibility of the Board of Directors to prepare the contents of the Report and to disclose the performance data, in accordance with the Global Reporting Initiative guidelines (GRI Standards version) and with the instructions and criteria disclosed in the Report, and the maintenance of an appropriate system of internal control to enable the adequately preparation of the mentioned information.

3. Our responsibility is to issue a limited assurance report, which is professional and independent, based on the procedures performed and specified in the paragraph below.

Scope

4. The work performed was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether sustainability performance data regarding the geographies of Portugal, Poland, Mozambique and Switzerland, for the year 2016, included in the Report, are free from material misstatement.

For this purpose the above mentioned work included:

(i) Inquiries to management and senior officials responsible for areas under analysis, with the purpose of understanding how the information system is structured and their awareness of issues included in the report;
(ii) Identification of the existence of internal management procedures leading to the implementation of economic, environmental and social policies;
(iii) Testing the efficiency of process and systems in place for collection, consolidation, validation and reporting of the performance information previously mentioned;
(iv) Confirming, through visits to sites, that operational units follow the instructions on collection, consolidation, validation and reporting of performance indicators;
(v) Execution of substantive procedures, on a sampling basis, in order to collect sufficient evidence to validate reported information;
(vi) Comparison of financial and economic data with those audited by the external auditor;

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(vii) Assess the level of adherence to the principles of inclusivity, materiality and responsiveness, defined in the AA1000APS 2008 standard;
(viii) Verification of the alignment of the non-financial performance quantitative indicators with the requirements of the Global Reporting Initiative Guidelines, version GRI Standards.

5. We apply the International Standard on Quality Control 1 and accordingly we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

6. We comply with the Independence and ethical requirements of the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) and of the Code of Ethics issued by the Order of Statutory Auditors.

7. The procedures performed were more limited than those used in an engagement to obtain reasonable assurance and, therefore, less assurance was obtained than in a reasonable assurance engagement.

8. We believe that the procedures performed provide an acceptable basis for our conclusion

Conclusions

9. Based on the work performed, nothing has come to our attention that causes us to believe that the Millennium bcp's sustainability performance data, for the year 2016, included in the Report, were not prepared, in all material respects, in accordance with Global Reporting Initiative Guidelines, version GRI Standards, and with the instructions and criteria disclosed in the Report.

Lisbon, April 10th, 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

António Joaquim Brochado Correia, R.O.C.

(This is a translation, not to be signed)

CORPORATE GOVERNANCE REPORT

FESTIVAL AO LARGO MILLENNIUM
Millennium bcp is a proud sponsor of the Festival ao Largo, an annual open-air concert series held in the heart of Lisbon and featuring top performers from the National Ballet and the National Symphonic Orchestra, as well as jazz musicians and student groups. A highlight of the summer arts calendar, the Festival is an opportunity to appreciate quality performances in a unique setting.

CONTENTS

INTRODUCTION

Banco Comercial Português, S.A. (hereinafter "Company, Bank, BCP, Millennium bcp") prepared the present Corporate Governance Report relative to the financial year of 2016 in conformity with the Legal Framework for Credit Institutions and Financial Companies (RGICSF), the Securities Code (CVM), Regulation 4/2013 of CMVM (Portuguese stock market regulator), the Corporate Governance Code of the CMVM (Recommendations), and all other applicable Portuguese and European legal and regulatory standards.

The table below discloses the Bank's understanding of its level of compliance with the Corporate Governance Code of the CMVM, which the Bank has decided to follow voluntarily, and includes an index referring to the contents of the Corporate Governance Report, substantiating the reasons for a judgement of compliance or not (principle of comply or explain) with these recommendations.

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
I. VOTING AND CONTROL OF THE COMPANY		
I.1. Companies should encourage their shareholders to participate and vote in the general meetings, in particular by not establishing an excessively high number of shares required to have the right to vote and implementing the indispensable means to the exercise of the right to vote by correspondence and electronically.	Compliant	Item 12.
I.2. Companies should not adopt mechanisms that hinder the adoption of resolutions by their shareholders, in particular establishing a deliberative quorum higher than that established by law.	Not accepted	Item 14.
I.3. Companies should not establish mechanisms with the effect of causing a time lag between the right to receive dividends or subscribe new securities and the right to vote of each ordinary share, unless duly justified on the grounds of the long-term interests of the shareholders.	Compliant	Item 12.
I.4. Articles of association of companies which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.	Not accepted	Item 13.
I.5. Defensive measures should not be adopted if they imply payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the free transferability of shares and the free appraisal by the shareholders of the performance of members of the management body.	Compliant	Item 4.
II. SUPERVISION, MANAGEMENT AND INSPECTION		
II.1. MANAGEMENT AND SUPERVISION		
II.1.1. Within the limits established by the law, and unless as a result of the small size of the company, the Board of Directors should delegate the daily management of the company, with the delegated duties being identified in the annual Corporate Governance Report	Compliant	Items 18. and 21. Board of Directors and Executive Committee
II.1.2. The Board of Directors should assure that the company acts in accordance with its objectives, and should not delegate its competence, namely, with respect to: i) definition of the strategy and general policies of the company; ii) definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special features.	Compliant	Item 21. Board of Directors
II.1.3. The Supervisory Board, in addition to the performance of the supervisory duties entrusted to it, should undertake full responsibility in terms of corporate governance, hence statutory provisions of equivalent measures should establish that it is compulsory for this body to issue statements on the strategy and main policies of the company, define the group's business structure and decisions which should be considered strategic due to their amount or risk. This body should also assess compliance with the strategic plan and the implementation of the company's policies.	Not applicable	
II.1.4. Unless as a result of the small size of the company, the Board of Directors and Supervisory Board, according to the adopted model, should create the committees deemed necessary for:	Compliant	Item 21. Board of Directors and Executive Committee and Items 24. and 27.
a) Assure competent and independent appraisal of the performance of the executive directors and their own overall performance, as well as that of the different existing committees;	Compliant	Items 24., 25., 26. and 27. c) Committee for Nominations and Remunerations
b) Reflect on the adopted governance system, structure and practices, verifying their efficacy and proposing to the competent bodies the measures to be implemented aimed at their improvement.	Compliant	Item 27. b)

(to be continued)

(continuation)

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
II.1.5. The Board of Directors or Supervisory Board, according to the applicable model, should establish objectives on matters of risk-taking and create systems for their control, aimed at assuring that the risks that are effectively incurred are consistent with those objectives.	Compliant	Compliant Item 21. Board of Directors and Audit Committee and Item 27. a) Committee for Risk Assessment
II.1.6. The Board of Directors should include a sufficient number of non-executive members so as to ensure effective capacity to monitor, supervise and assess the activities of the remaining members of the management body.	Compliant	Items 17. and 26. A
II.1.7. The non-executive directors should include an adequate proportion of independent directors, taking into account the adopted governance model, the size of the company and its shareholder structure, and respective free float.	Compliant	Items 17., 18. and 26. A
The independence of the members of the Supervisory Board and members of the Audit Committee is appraised pursuant to the legislation in force. Regarding the other members of the Board of Directors, an independent person is considered a person who is neither associated to any specific group of interests in the company of the Bank, nor under any circumstance capable of influencing the impartiality of his analysis or decision making, namely as a result of: a. Having been employed at a company which has been in a controlling or group relationship in the last three years; b. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person; c. Having received remuneration paid by a company which has been in a controlling or group relationship, apart from the remuneration arising from the performance of directorship duties; d. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes; e. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.	Compliant	Items 17. and 18.
II.1.8. Directors who perform executive duties, when requested by other members of the governing bodies, should provide, in due time and in a form appropriate to the request, the requested information.	Compliant	Item 21. Executive Committee, Reports of the Board of Directors and Audit Committee
II.1.9. The chairman of the executive management body or executive committee should send, as applicable, to the Chairman of the Board of Directors, Chairman of the Audit Board, Chairman of the Audit Committee, Chairman of the Supervisory Board and Chairman of the Financial Matters Committee, the summons and minutes of the respective meetings.	Compliant	Item 21. Executive Committee
II.1.10. Should the chairman of the management body perform executive roles, this body should indicate, among its members, an independent director to conduct the coordination of the work of the other non-executive members and the conditions to assure that they are able to make decisions in an independent and informed manner, or find another equivalent mechanism that assure this coordination.	The Chairman of the Board of Directors is not an executive director	
II.2. SUPERVISION		
II.2.1. According to the applicable model, the Chairman of the Audit Board, Audit Committee or Financial Matters Committee should be independent, pursuant to the applicable legal criterion, and possess adequate competence to perform the respective duties.	Not accepted	Item 21. Audit Committee and Items 17., 26. A and C.V. Annex I
II.2.2. The supervisory body should be the main item of contact of the external auditor and the first receiver of the respective reports, being entrusted, in particular, with proposing the respective remuneration and ensuring that the company provides the appropriate conditions for the provision of the audit services.	Compliant	Item 21. Audit Committee
II.2.3. The supervisory body should assess the external auditor on an annual basis and propose, to the competent body, the dismissal of the external auditor or the termination of the audit service contract whenever there is fair cause for the effect.	Compliant	Item 21. Audit Committee and respective Report

(to be continued)

(continuation)

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
II.2.4. The supervisory body must evaluate the functioning of the internal control and risk management systems and propose the necessary adjustments.	Compliant	Item 21. Audit Committee
II.2.5. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.	Compliant	Item 21. Audit Committee, Items 50. and 51.
II.3. ESTABLISHMENT OF REMUNERATIONS		
II.3.1. All the members of the Remuneration Committee or equivalent should be independent from the executive members of the management body and include at least one member with knowledge and experience on matters of remuneration policy.	Compliant	Item 67. and Curricula Annex II
II.3.2. No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the management body, to the actual management body of the company or who has a current relationship with the company or a consultant of the company, should be contracted to support the Remuneration Committee in the performance of its duties. This recommendation is equally applicable to any natural or legal person related to the above through a work or service contract.	Compliant	Item 67.
II.3.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:		
a) Identification and explanation of the criteria for determination of the remuneration to be attributed to the members of the governing bodies;	Compliant	Item 69.
b) Information as to the potential maximum amount, both in individual and aggregate terms, payable to the members of the governing bodies, and identification of the circumstances under which these maximum amounts may be due;	Compliant	Items 69. and 81.
c) Information on the payability or non-payability of amounts relative to dismissal or termination of duties of directors.	Compliant	Item 80.
II.3.4. Proposals relative to the approval of plans to attribute shares and/or share acquisition options, or based on share price variations, to members of the governing bodies, should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the plan.	Not applicable	
II.3.5. Proposals relative to the approval of any system of retirement benefits established in favour of the members of the governing bodies should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the system.	Compliant	Item 76.
III. REMUNERATIONS		
III.1. The remuneration of the executive members of the management body should be based on effective performance and discourage excessive risk-taking.	Compliant	Items 69. and 81.1.
III.2. The remuneration of the non-executive members of the management body and the remuneration of the members of the supervisory body should not include any component whose value depends on the performance or value of the company.	Compliant	Items 69 and 81.1.
III.3. The variable component of remuneration should be reasonable, as a whole, in relation to the fixed component of remuneration, and maximum limits should be established for all components.	Not applicable	Items 69 and 81.1.
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to its receipt should be dependent on the continuation of the positive performance of the company over this period.	Not applicable	Items 69 and 81.1.

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(continuation)

Recommendations of the CMVM	Declaration of Compliance	Information with reference to the Corporate Governance Report
III.5. The members of the management body should not conclude contracts, either with the company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration established by the company.	Compliant	Item 69.
III.6. Until the end of their term of office, executive directors must keep any company shares which have been acquired through variable remuneration schemes, up to the limit of twice the value of the annual total remuneration, with the exception of shares which need to be sold for the purpose of payment of taxes arising from the earnings of these same shares.	Not applicable	Item 69. – There are no schemes of this type
III.7. When the variable remuneration comprehends the attribution of options, the beginning of the exercise period must be deferred for a period of time not inferior to three years.	Not applicable	Item 69. – There are no schemes of this type
III.8. When the dismissal of a director neither arises from serious breach of duties nor inaptitude for normal performance of the respective duties but, even so, is the outcome of inadequate performance, the company should be endowed with the appropriate and necessary legal instruments to ensure that any indemnity or compensation, apart from that legally due, is not payable.	Not applicable	Item 69. – There are no schemes of this type
IV. AUDIT		
IV.1. The external auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body of the company.	Compliant	Item 66.
IV.2. The company or any entities in a controlling relationship should neither contract from the external auditor, nor from any entities which are in a group relationship with it or are part of the same network, services other than audit services. When there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its Annual Corporate Governance Report – they cannot represent a figure above 30% of the total value of the services provided to the company.	Compliant	Item 47.
IV.3. Companies should promote the rotation of the auditor at the end of two or three terms of office, according to whether they are of four or three years, respectively. The auditor's maintenance beyond this period should be based on the grounds expressed in a specific opinion issued by the supervisory body which explicitly weighs up the conditions of independence of the auditor and the advantages and costs of his replacement.	Compliant	Items 40. and 44.
V. CONFLICTS OF INTERESTS AND TRANSACTIONS WITH RELATED PARTIES		
V.1. Company business with shareholders owning qualifying holdings, or with entities that are in any relationship with them, under the terms of article. 20 of the Securities Code, should be conducted under normal market conditions.	Compliant	Item 21. – Audit Committee, and Items 10. and 91.
V.2. The supervisory or audit board should establish the necessary procedures and criteria for the definition of the relevant level of significance of business with shareholders of qualifying stakes or with entities which are in any of the relations stipulated in number 1 of article 20 of the Securities Code, with the conduct of business of significant relevance being dependent on the prior opinion of this body.	Compliant	Item 21. – Audit Committee and Board of Directors, paragraph 4 Item 18. (material limit), and Items 10. and 91.
VI. INFORMATION		
VI.1. Companies should ensure, through their website, in Portuguese and English, access to information that enables knowledge on their evolution and their current situation in economic, financial and governance terms.	Compliant	https://ind.millenniumbcp.pt/en/institucional
VI.2. Companies should assure the existence of an investor support office and its permanent contact with the market, so as to answer requests made by investors in due time. Records should be kept of all the requests submitted and their subsequent treatment.	Compliant	Items 56. to 58.

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. CAPITAL STRUCTURE

1. The capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including an indication of shares that are not admitted to trading, different classes of shares, rights and duties of same and the capital percentage that each class represents (Article 245-A/1/a)

On the date this Report was made (March 2017) the share capital of the Bank amounted to 5,600,738,053.72 euros, represented by 15,113,989,952 shares of a single category, nominative, book-entry, without nominal value, fully subscribed and paid up, all admitted to trading in a regulated market (Euronext Lisbon).These shares represent 100% of the share capital, confer identical rights and are fungible between them.

As at 31 December 2016, the Bank had a capitalization process underway and only its first stage has been completed. On that date the share capital amounted to 4,268,817,689.20 euros, corresponding to 944,624,372 registered and book-entry shares, without a nominal value, fully subscribed and paid up. From these shares, 157,437,395, corresponding to the share capital increase made on 18 November 2016, were not admitted for trading in a regulated market and were only admitted to trading on 7 February 2017, together with the shares issued with the share capital increase registered on that date.

According to the information provided by Interbolsa, as at 31 December 2016, the number of shareholders of Banco Comercial Português totalled 184,596.

The Bank's shareholder structure continues to be much dispersed after the share capital increase completed in February 2017, with four shareholders owning stakes above 2% of the share capital. Of these, only two have a stake above 5%. As a whole, the shareholders with qualifying stakes represented 43.4% of the share capital.

Shareholders with over 5 million shares represented more than 72% of the share capital after the share capital increase concluded in February 2017. In terms of geographic distribution, special note should be made of the weight of the shareholders in Portugal, which accounted for 37% of the total number of shareholders.

Pursuant to its articles of association, the Bank has the ability to issue shares with special rights, namely voting or non-voting preferential shares either redeemable with or without premium or not redeemable. Banco Comercial Português has never issued these types of shares.

2. Restrictions on the transfer of shares, such as clauses on consent for disposal, or limits on the ownership of shares (Article 245-A/1/b)

The shares representing the Bank's share capital are freely transferable.

3. Number of own shares, the percentage of share capital that it represents and corresponding percentage of voting rights that corresponded to own shares (Article 245-A/1/a)

The treasury stock (BCP shares) held by entities included in the consolidation perimeter is within the limits established by the Law and Regulations.

As at 31 December 2016, Banco Comercial Português, S.A. held no treasury stock in portfolio, and there were no purchases or sales of own shares throughout the year. However, the item "Treasury Stock" recorded 2,689,098 shares (31 December 2015: 24,280,365 shares) held by customers. Considering that for these customers there is evidence of impairment, pursuant to IAS 39, the Bank's shares held by these customers were, in observance of this standard, considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the Note to the consolidated financial statements number 50, as at 31 December 2016, the Millenniumbcp Ageas Group held 8,694,500 BCP shares, amounting to 9,312,000 euros and on 31 December 2015, it held 652,087,518 shares , amounting to 31,822,000 euros.

The shares held by the Bank due to credit recovery process are not considered treasury stock in portfolio. The respective sale is made in the market and in the short-term.

As described in note 47 of the "Notes to the 2016 Consolidated Financial Statements", Banco Comercial Português, S.A., following the resolution adopted at its General Meeting of Shareholders, approved by 99.86% of the votes cast, made on 24 October 2016, the regrouping of shares representing its share capital, without reducing it, by applying a regrouping quotient of 1:75, meaning that to each 75 shares prior to the regrouping shall correspond 1 share after the regrouping. The regrouping was carried out in relation to the totality of the shares issued.

4. Important agreements to which the company is a party and that come into effect, amend or terminated in cases such as a change in the control of the company after a takeover bid, and the respective effects, except where due to their nature, the disclosure thereof would be seriously detrimental to the company; this exception does not apply where the company is specifically required to disclose said information pursuant to other legal requirements (Article 245-A/1/j)

Banco Comercial Português is not a party to significant agreements, namely agreements that are enforced, altered or terminated in the event of change of control, following a public takeover bid, or change of composition of the governing bodies.

Under its activity, the Bank has negotiated seven bilateral contracts with the European Investment Bank (EIB) and the European Investment Fund (EIF), of the overall amount of close to one thousand and twenty four million euros, which include clauses that confer the counterparty, under certain verifiable circumstances and in line with what is usual in the type of operations in question, the right to trigger the early repayment of these values, in the event of a change to the Bank's shareholder control.

5. A system that is subject to the renewal or withdrawal of countermeasures, particularly those that provide for a restriction on the number of votes capable of being held or exercised by only one shareholder individually or together with other shareholders

In accordance with article 26 of the Bank's Articles of Association, the wording approved at the General Meeting held on 19 December 2016 establishes that votes cast by a single shareholder and its related entities, under the terms of number 1 of article 20 of the Securities Code, representing more than 30% of the votes of the total share capital, shall not count.

The above mentioned limitation to voting rights aimed to follow the best international and national practices in terms of corporate governance for companies with the size and complexity of activities such as the ones pursued by the Company in terms of statutory restrictions, also commonly referred to as "statutory ceiling on voting rights".

The amendment of this statutory provision requires the approval of two thirds, 66.66%, of the votes cast at the General Meeting.

The Bank's Articles of Association do not foresee the periodic review of the statutory rule which establishes the limitation of votes referred to above.

6. Shareholders' agreements that the company is aware of and that may result in restrictions on the transfer of securities or voting rights (Article 245-A/1/g)

The Bank is not aware of the existence of any shareholders' agreement relative to the exercise of corporate rights or transferability of the Bank's shares.

On 18 November 2016, BCP and Fosun Industrial Holdings Limited signed a Memorandum of Understanding and Subscription Agreement relating to the investment of this company in the share capital of BCP, according to which the company Chiado (Luxembourg) S.à r.l. ("Chiado"), an entity part of Group Fosun, agreed to invest in BCP through the private placement of 157,437,395 new shares and committed to keep the ownership of these shares for, at least, three years.

II. SHARES AND BONDS HELD

7. Details of the natural or legal persons who, directly or indirectly, are holders of qualifying holdings (Article 245-A/1/c & d and Article 16) with details of the percentage of capital and votes attributed and the source and causes of the attribution

Under the terms of the Securities Code, the qualifying stakes in the Company's share capital as at 31 December 2016, indicating the percentage of the share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

(31 December 2016)

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	157,437,395	16.67%	16.67%
TOTAL OF FOSUN GROUP	157,437,395	16.67%	16.67%
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP, directly	140,454,871	14.87%	14.87%
TOTAL OF SONANGOL GROUP	140,454,871	14.87%	14.87%
EDP Pensions Fund (*)	19,939,423	2.11%	2.11%
Voting rights held by the members of the management and supervisory bodies (**)	406,344	0.04%	0.04%
TOTAL OF EDP GROUP	20,345,767	2.15%	2.15%
TOTAL OF QUALIFIED SHAREHOLDERS	**318,238,033**	**33.7%**	**33.7%**

(*) Allocation in accordance with subparagraph f) of paragraph 1 Art. 20 of the Portuguese Securities Code.
(**) In accordance with data as at 30 June 2016, adjusted by the reverse stock split operation that took place on 24 October 2016.

On 9 January 2017, the Board of Directors, having obtained the favourable opinion from the Audit Committee and in compliance with the authorization foreseen in article 5 of the Bank's Articles of Association, approved a share capital increase, registered on 7 February 2017, amounting to 1,331,920,364.52 euros, paid in cash and with the issue of 14,169,365,580 new ordinary, nominative and book-entry shares without nominal value, with subscription reserved to shareholders.

The qualifying stakes in the Company's share capital, after the share capital increase, indicating the percentage share capital and imputable votes, and the source and reasons of imputation, are reflected in the following table:

(After capital increase, last available information)

Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	3,615,709,715	23.92%	23.92%
TOTAL OF FOSUN GROUP	3,615,709,715	23.92%	23.92%
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP, directly	2,303,640,891	15.24%	15.24%
TOTAL OF SONANGOL GROUP	2,303,640,891	15.24%	15.24%
EDP Pensions Fund(*)	318,918,339	2.11%	2.11%
TOTAL OF EDP GROUP	318,918,339	2.11%	2.11%
Norges Bank, directly	315,290,240	2.09%	2.09%
TOTAL OF NORGES GROUP	315,290,240	2.09%	2.09%
TOTAL OF QUALIFIED SHAREHOLDERS	**6,238,268,945**	**43.4%**	**43.4%**

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

8. Indication of the number of shares and bonds held by members of the governing bodies, directors and persons closely related to these categories

On this issue, see the information provided in the Annual Report 2016, in Note 50 to the Consolidated Financial Statements.

9. Special powers of the Board of Directors, especially as regards resolutions on the capital increase (Article 245-A/1/i) with an indication as to the allocation date, time period within which said powers may be carried out, the upper ceiling for the capital increase, the amount already issued pursuant to the allocation of powers and mode of implementing the powers assigned

Under the terms of the Bank's Articles of Association, the Board of Directors has powers to, when deemed convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or upon renewal of this authorisation.

The last renewal of this authorization was approved at the General Meeting of Shareholders held on 21 April 2016, when the Bank's share capital amounted to 4,094,235,361.88 euros, and the General Meeting resolved that 20% of that increase could be made through the placement, without shareholders preference rights, with qualified or institutional investors.

The Bank's share capital was increased twice under this authorization.

The first time on 18 November 2016, amounting to 174,582,327.32 euros, an increase reserved to Chiado (Luxembourg) S.à r.l. (Group Fosun), and the second time on 7 February 2017, amounting to 1,331,920,364.52 euros, an increase with preference right for shareholders.

Following this last increase, on 9 February 2017, the Bank proceeded with the full and early repayment of the funds granted under the Bank's recapitalisation process, for the purposes of the provisos of article 13 (1) of Law nr.63-A/2008 of 24 November, republished by Law nr. 1/2014 of 16 January.

10. Significant business relations between holders of qualifying stakes and the company

Business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, after a prior opinion has been obtained from the Audit Committee, through proposal submitted by the Executive Committee, supported by a proposal made by the Credit Commission and an analysis and technical opinion issued by the Internal Audit Division.

During 2016, the Audit Committee issued six prior opinions related to operations for granting and renewing credit lines and limits, and five opinions on other credit operations. All of these operations were conducted under normal market conditions.

During the year covered by this Report, regardless of the aforesaid operations, no other business or operations were conducted, namely the acquisition of supplies and services, between Banco Comercial Português and qualifying shareholders and entities related to them, which were economically significant and cumulatively carried outside market conditions, applicable to similar operations, or outside the scope of the current activity of the company, always in compliance with the provisions of article 397, (5) of the Companies Code.

In 2016 the company recorded no significant business relations with holders of qualifying stakes, although the company did conduct current business relations with the EDP Group, due to the nature of the latter's activity.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL MEETING

a) Composition of the Board of the General Meeting

11. Identification and position of the members of the board of the general meeting and respective term of office (beginning and end)

Under the terms of article 20, number 1 of the Bank's Articles of Association, the Board of the General Meeting is composed of a Chairperson, a Vice-Chairperson and the Company Secretary.

At the General Meeting held on 30 May 2014, the Chairman and the Vice-Chairman of the Board of the General Meeting were elected for the term of office relative to the three-year period 2014/2016, being now on their third consecutive term of office which ended on 31 December 2016. Although the members of the Board of the General Meeting were elected for a fixed term, they will remain in office until the election of new members, which is scheduled to occur at the Annual General Meeting of Shareholders to be held on 10 May 2017.

The Company Secretary was appointed by the Board of Directors, on 11 May 2015, performing duties for the three-year period 2015/2017 and shall remain in office up until the next election of the Board of Directors, which is expected to occur at the Annual General Meeting to be held before the end of May 2018.

The Board of the General Meeting is composed of:

Chairman:	António Manuel da Rocha e Menezes Cordeiro (Independent)
Vice-Chairman:	Manuel António de Castro Portugal Carneiro da Frada (Independent)

Inherent to the position, the Board of the General Meeting is supported by secretarial services administered by the Company Secretary, Ana Isabel dos Santos de Pina Cabral.

b) Exercise of Voting Rights

12. Any restrictions on the right to vote, such as restrictions on voting rights subject to holding a number or percentage of shares, deadlines for exercising voting rights, or systems whereby the financial rights attaching to securities are separated from the holding of securities (Article 245-A/1/f)

Under the terms of the Bank's Articles of Association, each share corresponds to one vote. Natural or legal persons that own shares which confer to them at least one vote at zero hours of the fifth trading day prior to the date of the General Meeting may participate therein, directly or through a representative.

On these issues, see items 5 and 14.

Voting in writing, by mail or internet is permitted, provided that the vote is received by the penultimate day prior to the date of the General Meeting.

Shareholders who participate in the General Meeting directly or through representation may only exercise their voting rights at the General Meeting.

13. Details of the maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any relationship as set out in Article 20/1

On this issue, see item 5.

14. Details of shareholders' resolutions that, imposed by the articles of association, may only be taken with a qualified majority, in addition to those legally provided, and details of said majority

The Bank's Articles of Association require the presence or representation of over one third of the share capital for the General Meeting to be held at first call. The Articles of Association also require a qualified majority of three quarters of the votes cast for approval of decisions on merger, demerger, transformation and a qualified majority of three quarters of the fully paid up share capital for resolutions on the dissolution of the company. The amendment of articles which establish limitations to voting rights or determine majorities different from those stipulated in the law requires a qualified majority of two thirds of the votes cast.

The demand for a reinforced quorum is intended to defend minority shareholders and assure that no relevant matter is resolved on without the effective participation of a representative number of Shareholders.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the endorsed governance model

Banco Comercial Português, S.A. has endorsed, since 28 February 2012, a one-tier corporate structure with a Board of Directors which includes an Executive Committee and an Audit Committee. It also has a Remuneration and Welfare Board and an International Strategic Board elected by the General Meeting.

16. Articles of association rules on the procedural requirements governing the appointment and replacement of members of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable. (Article 245-A/1/h))

The members of the Board of Directors are elected at the General Meeting. Should the Board of Directors co-opt any Director to fill a vacant position, such cooptation must be ratified at the first General Meeting of Shareholders taking place after the cooptation. The co-opted member shall exercise functions until the end of the term of office underway.

Elections are plural and conducted by lists, with indication by the proposing shareholders, and votes are cast based on these lists.

Under the terms of the law, and under penalty of destitution, each Annual General Meeting of Shareholders votes on a renewal of the vote of confidence in each of the members of the management and supervisory bodies and likewise in the body as a whole.

17. Composition of the Board of Directors, the Executive Board and the General and Supervisory Board, where applicable, with details of the articles of association's minimum and maximum number of members, duration of term of office, number of effective members, date when first appointed and end of the term of office of each member

Under the terms of the Bank's Articles of Association, the Board of Directors is composed of a minimum of 17 and a maximum of 25 members, elected for terms of office of three years, who may be re-elected one or more times.

The current Board of Directors of Banco Comercial Português was elected at the General Meeting held on 11 May 2015, to perform duties for the three-year period 2015/2017, with the term of office ending on 31 December 2017, without prejudice to the Directors remaining in office until the election of a new Board of Directors.

Within the scope of the Bank's recapitalization and in accordance with article 14 (2) of the Law nr. 63-A/2008 dated 24 November (altered and republished by Law nr. 4/2012 of 11 January) and number 2 of the Annex to the Order nr. 8840-B/2012 of 28 June, the State appointed, on 4 December 2012, as its representatives to the Bank's Board of Directors, Bernardo de Sá Braamcamp Sobral Sottomayor and José Rodrigues de Jesus, both as non-executive directors. The first was part of the Remuneration and Welfare Board, the Committee for Nominations and Remunerations and of the Committee for Risk Assessment and the second is part of the Audit Committee.

Following his personal request and by order of 26 February 2016 of the Minister of Finance, Bernardo de Sá Braamcamp Sobral Sottomayor, one of the State representatives appointed under the Bank's recapitalisation process, was exonerated from the position of non-executive member of the Board of Directors. He was replaced, by order dated of 2 December 2016, by André Palma Mira David Nunes, who was appointed to exercise the functions of member of the Board of Directors, of the Committee for Nominations and Remunerations and of the Committee for Risk Assessment.

On 9 January 2017, the Board of Directors, unanimously resolved to cooptate Lingjiang Xu and João Nuno de Oliveira Jorge Palma to exercise, until the end of the current term of office (2015/2017), the functions of members of the Board of Directors, the first as non-executive Director and the second as Vice-Chairman of the Executive Committee. On the date this Report was approved both are waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank.

The composition of the Board of Directors at the end of the financial year this Report refers to, as well as the date of the first appointment of each member and the date of end of term of office is identified in the following table:

BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE NON-EXECUTIVE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Term of Office – Start	Term of office	Term of Office – End [a]	Justification	Body and Position	Qualification
António Vítor Martins Monteiro	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Chairman	Not Independent [b]
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Chairman	
	18/04/2011	2011/2013	28/02/2012			
	30/03/2009	2009/2010	31/12/2010		Supervisory Board – Member	
Carlos José da Silva	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Vice-Chairman	Independent [c]
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Member	
	18/04/2011	2011/2013	28/02/2012			

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BOARD OF DIRECTORS: COMPOSITION, MANDATE (START AND END), POSITIONS AND CAPACITY OF THE NON-EXECUTIVE MEMBERS

Composition of the Board of Directors (Non-Executive Members)	Term of Office – Start	Term of office	Term of Office – End [a]	Justification	Body and Position	Qualification
Álvaro Roque de Pinho de Bissaia Barreto	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independente
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Member	
	18/04/2011	2011/2013	28/02/2012			
André Magalhães Luís Gomes	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independent
	28/02/2012	2012/2014	31/12/2014			
André Palma Mira David Nunes	02/12/2016	Director appointed by the government on 02-12-2016, pursuant to the exoneration of Bernardo de Sá Braamcamp Sobral Sottomayor, for the duration of the state aid to increase own funds.			Board of Directors – Member	Not applicable [d]
António Henriques de Pinho Cardão	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independent
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Member	
	18/04/2011	2011/2013	28/02/2012			
António Luís Guerra Nunes Mexia	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Not Independent [e]
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Member	
	18/04/2011	2011/2013	28/02/2012			
	30/03/2009	2009/2010	31/12/2010			
	15/01/2008	2006/2008	31/12/2008			
Cidália Maria Mota Lopes	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independent
Jaime de Macedo Santos Bastos	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independent
	28/02/2012	2012/2014	31/12/2014			
João Bernardo Bastos Mendes Resende	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Independent [f]
	28/02/2012	2012/2014	31/12/2014			
João Manuel de Matos Loureiro	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Not Independent [g]
	28/02/2012	2012/2014	31/12/2014		Supervisory Board – Member	
	18/04/2011	2011/2013	28/02/2012			
	30/03/2009	2009/2010	31/12/2010			
José Rodrigues de Jesus	04/12/2012	Director appointed on 04-12-2012 by the government for the duration of the state aid to increase own funds.			Board of Directors – Member	Not applicable [h]

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Composition of the Board of Directors (Executive Members)	Term of Office – Start	Term of office	Term of Office – End [(a)]	Justification	Body and Position	Qualification
Raquel Rute da Costa David Vunge	11/05/2015	2015/2017	31/12/2017	Election	Board of Directors – Member	Not Independent [(i)]
	16/12/2014	2012/2014	31/12/2014	Cooptation		
Nuno Manuel da Silva Amado	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
Miguel Maya Dias Pinheiro	11/05/2015	2015/2017	31/12/2017	Election	Comissão Executiva – Vice-Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012		Executive Board of Directors – Member	
	11/11/2009	2008/2010	31/12/2010	In replacement		
Miguel de Campos Pereira de Bragança	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Vice-Chairman	Executive
	28/02/2012	2012/2014	31/12/2014			
José Jacinto Iglésias Soares	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Member	Executive
	28/02/2012	2012/2014	31/12/2014			
	18/04/2011	2011/2013	28/02/2012			
José Miguel Bensliman Schorcht da Silva Pessanha	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Member	Executive
Maria da Conceição Mota Soares de Oliveira Callé Lucas	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Member	Executive
	28/02/2012	2012/2014	31/12/2014			
Rui Manuel da Silva Teixeira	11/05/2015	2015/2017	31/12/2017	Election	Executive Committee – Member	Executive
	28/02/2012	2012/2014	31/12/2014		Executive Board of Directors – Member	
	18/04/2011	2011/2013	28/02/2012			

[(a)] Although the end of the mandate coincides with the last day of the calendar year, to which it refers, the member shall remain in office until the election of the new composition.
[(b)] The Director in question is in his fourth mandate, only because the mandate 2011/2013 was interrupted on 28 February 2012, consequently he did not complete three full mandates.
[(c)] Until 18-11-2016, when the Bank completed its second share capital increase of 2016, he was connected with an entity that held a qualifying shareholding, being considered Not-Independent until then.
[(d)] Member appointed by the government on 02-12-2016 for the duration of the state aid to increase own funds, which was fully repaid on 09-02-2017.
[(e)] The director in question is connected to a shareholder with a qualifying stake and is in his fifth term of office.
[(f)] The director in question was connected to a shareholder with a qualifying stake until 12-12-2016. He presented his renunciation on 10 February 2017.
[(g)] The Director in question is in his fourth mandate, only because the mandate 2011/2013 was interrupted on 28 February 2012, consequently he did not complete three full mandates.
[(h)] Member appointed by the government on 04-12-2012 for the duration of the state aid to increase own funds, which was fully repaid on 09-02-2017.
[(i)] The director in question is connected to a shareholder with a qualifying stake.

18. Distinction of the executive and non-executive members of the Board of Directors and, relating to the non-executive members, identification of the members who may be considered independent or, if applicable, identification of the independent members of the Supervisory Board

On 11 May 2015 and in accordance with articles 407 (3) and (4) of the Companies Code and article 35 of the Bank's articles of association, the Board of Directors appointed, from amongst its members, an Executive Committee composed of seven of its members.

The Executive Committee performs all of the Bank's day-to-day management duties that have not been reserved by the Board of Directors. On 31 December 2016, the Board of Directors was composed of twenty members. According to CMVM Regulation 4/2013, Annex 1, nr. 18.1, a member of the Board of Directors who is not associated with any specific interest group within the company, or under any circumstances capable of affecting their impartiality of analysing or decision making is considered to be independent.

All the non-executive directors have been, for that purpose, evaluated by the Committee for Nominations and Remunerations which, for that specific purpose, took under consideration, apart from the profile of each one of the directors, the following facts:

a. Being an employee over the last three years of the company or a company which is in a controlling or group relationship;

b. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;

c. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a Board Member;

d. Living with a partner or a spouse, next of kin up to and including third degree, of board members or individuals directly or indirectly holding qualifying holdings;

e. Being a qualifying shareholder or representative of a qualifying shareholder;

f. Having been re-elected for more than two, consecutive or not, terms-of-office.

Excluding the executive directors and those appointed by the State, six members of the Board of Directors, out of the ten members, are independent. In other words, 60.00% of the non-executive directors are independent, and BCP considers that the proportion of independent directors, versus the total number of directors, is adequate, taking into account the endorsed governance model and the size of the company.

Having pondered on the contents of Recommendation II.I.7. and the criteria of independence of mind mentioned in the draft on the assessment of the suitability of the members of management bodies of the ECB, as well as the provisos of article 31 of the LFCIFC, the Committee for Nominations and Remunerations considered that the number of independent non-executive directors ensures their effective capacity to follow-up, supervise and evaluate in an impartial and appropriately objective manner the activity developed by the executive directors.

On this matter, see the table presented in item 26.

19. Professional qualifications and other relevant curricular details of each member of the, as applicable, of the Board of Directors, the Supervisory Board and of the Executive Board of Directors

The professional qualifications and other curricular details of each member of the Board of Directors are presented in Annex I to this Corporate Governance Report.

20. Customary and meaningful family, professional or business relationships of members of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, with shareholders that are assigned qualifying holdings that are greater than 2% of the voting rights

There are no habitual and significant family or business relations between the members of the Board of Directors and of the Executive Committee with shareholders imputed with qualifying stakes above 2% of the voting rights. As shown in the table presented in item 7 of this Report, the shareholders owning stakes above 2% are legal persons. Under these terms, and by nature, there are no family relations between the members of the Board of Directors and shareholders with a stake above 2%. Furthermore, there are also no family relations between the members of the Bank's Board of Directors and Executive Committee and the members of the Boards of Directors of the shareholders with a stake above 2%.

The members of the Board of Directors who have professional/business relations with shareholders to whom, on 31 December 2016, a qualifying stake above 2% of the voting rights is imputable are listed in the following table:

PROFESSIONAL OR BUSINESS RELATIONSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BCP WITH SHAREHOLDERS OWNING MORE THAN 2% OF VOTING RIGHTS

Member of the Board of Directors of BCP	Professional or Business Relationship	Shareholder owning more than 2% of Voting Rights
António Luís Guerra Nunes Mexia	Chairman of the Executive Board of Directors of EDP - Energias de Portugal	EDP – Energias de Portugal, S.A. (EDP Group)
Raquel Rute da Costa David Vunge	Senior Manager at Sonangol, E.P.	Sonangol – Sociedade Nacional de Combustíveis de Angola, E.P. (Sonangol Group)

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate boards, committees and/or departments within the company, including information on delegating powers, particularly as regards the delegation of the company's daily management

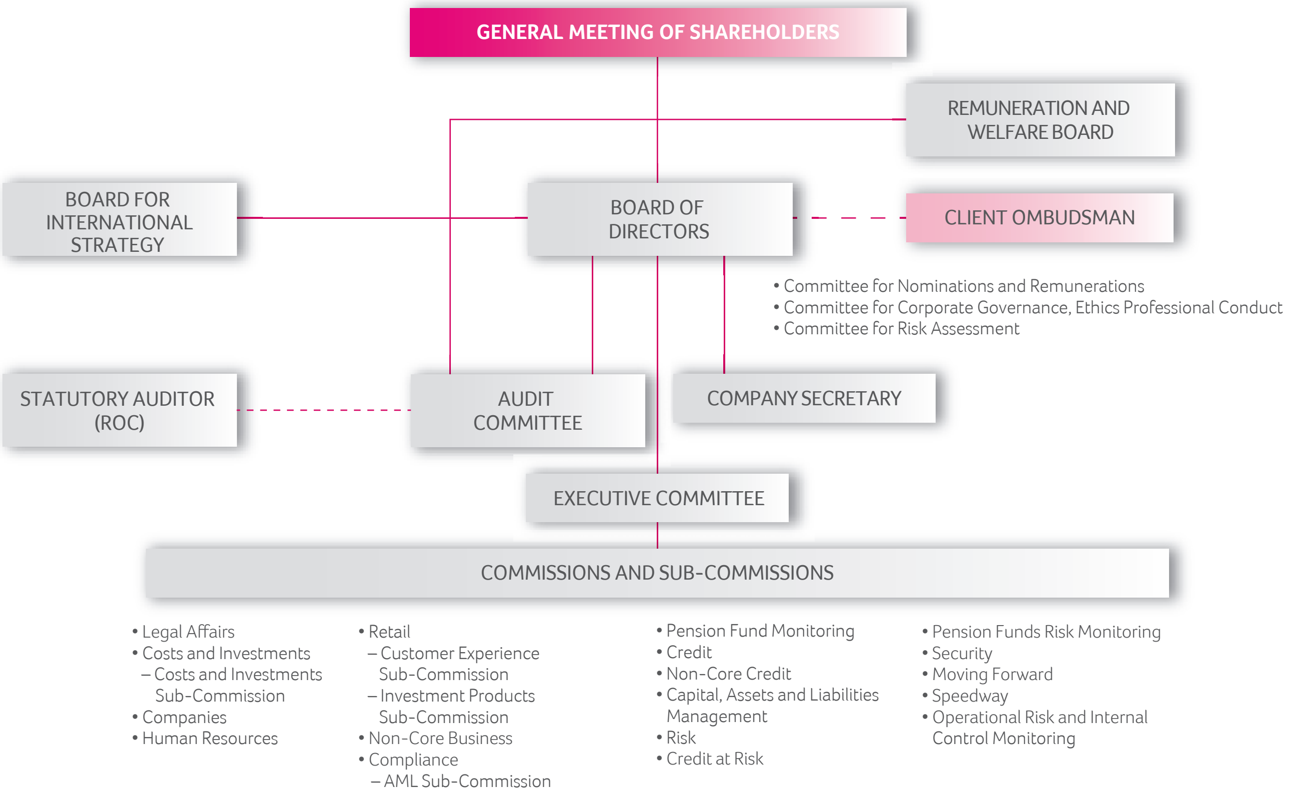
Pursuant to the corporate governance model adopted by the Bank – the one-tier model – the structure includes a Board of Directors, under which there is an Audit Committee, composed solely of non-executive members and an Executive Committee to which the Board of Directors has delegated the Bank’s current management, pursuant to article 35 of the Articles of Association and article 7 of its Regulations.

The Board of Directors has appointed three other specialised committees, whose essential purpose is the permanent monitoring of certain specific or highly complex matters. The Company also has a Remuneration and Welfare Board and an International Strategic Board.

To advise on daily management, the Executive Committee has also appointed different commissions and sub-commissions that, besides two or more Executive Directors, are permanently composed of various first line Directors who report to them.

The diagram below represents the Bank's Corporate Governance Model structure during 2016:

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



BOARD OF DIRECTORS

The Board of Directors is the governing body of the Bank vested with the most ample powers of management and representation of the company.

During the performance of their duties, the directors use their competences, qualifications and professional experience to assure, in a permanent and responsible way, a sound, effective, rigorous and prudent management of the Bank, respecting the characteristics of the institution, its size and the complexity of its business activities.

The members of the Board of Directors observe duties of zeal, care and loyalty, reflecting high standards of diligence inherent to a careful and orderly manager, critically analysing the decisions taken as well as the policies and procedures adopted in the best interests of the company. The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the performance of their duties, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by legal provisions or decision of an administrative or judicial authority.

The Board of Directors is the corporate body with competence to define the company's general policies and strategy, being vested with full management and representation powers for both the Bank and the Group, without prejudice to the possibility of claiming back any matter delegated to the Bank's Executive Committee, namely the managerial powers, the Board of Directors has reserved the following competences for itself:

- Chose its Chairperson and Vice-Chairpersons when these are not appointed by the General Meeting;
- Appoint directors to fill in eventual vacancies;
- Ask the Chairperson of the Board of the General Meeting to call the General Meeting;
- Resolve on the change of head office and share capital increases, under the terms of the law and of the articles of association;
- Approve mergers, demergers and other changes to the company;
- Approve the Annual Reports and Financial Statements and the proposals that the management body is responsible for submitting to the General Meeting, namely the proposal for the appropriation of profits;
- Approve the Bank's annual and longer term budgets;
- Define the general policies and strategic goals for the Bank and for the group;
- Provide bonds and personal or real guarantees on behalf of the company, with the exception of those included in the Bank's current activity;
- Purchase, sell and encumber immovable properties provided that the operation implies a negative impact above 0.5% on the regulatory consolidated own funds;
- Define and resolve on the eventual introduction of changes to the group's corporate structure, namely the opening and closing of establishments when it represents a 10% positive or negative variation in the number of establishments in Portugal at the end of the year prior to the making of the decision;
- Significant increases or reductions in the company's organization whenever these produce an impact above 5% in consolidated assets;
- Resolve, under the terms of the law and of the articles of association, on the issue of shares and other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, the Company Secretary and respective alternate, who must have the adequate expertise and profile to undertake such functions and to whom the Board of Directors must ensure technical autonomy and all the necessary means to carry out their functions;
- Appoint, after getting the prior favourable opinion from the Committee for Nominations and Remunerations, a Client Ombudsman, who must necessarily be an individual with a recognized ability, honesty and experience in banking, without employment ties to the Bank and to whom it must ensure all the necessary means to carry out his/her functions freely and independently;
- Appoint, pursuant to a proposal made by the Executive Committee and after getting the favourable opinions of the Audit Committee, and in the first case, also the Committee for Risk Assessment, the risk officer, the compliance officer, the head of audit division and the group treasurer, to whom it must ensure technical autonomy and all the necessary means to carry out their functions;
- Approve and periodically review the remuneration policy concerning employees which report directly to the Administration, the ones responsible for the assumption of risks and for the control functions and the employees whose total remuneration places them in the same bracket of the three categories mentioned above provided that their respective professional activities have a material impact on the Bank's risk profile;
- Approve the respective internal regulations, as well as the regulations of the Audit Committee, of the Executive Committee and of the other committees it decides to create;
- Ratify any acts undertaken on its behalf by the Chairperson or by his/her alternate in case of emergency.

The delegation of powers by the Board of Directors does not exclude the competence of this corporate body to resolve on the same issues, nor does it waive, under legal and regulatory terms, namely the Delegated Regulation (EU) nr. 604/2014, the responsibility of other directors for possible losses caused by acts or omissions occurred during the exercise of duties received by delegation to the extent that the members of the management body are ultimately responsible for the institution, its strategy and activities.

The Regulations of the Board of Directors are available on the Bank's website at:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

AUDIT COMMITTEE

The Audit Committee is composed of a minimum of three and a maximum of five non-executive members, elected at the General Meeting of Shareholders, and the lists proposed to elect the Board of Directors must detail which individual members are to be part of the Audit Committee and indicate the respective Chairman.

The members of the Audit Committee, as is the case of all members of the governing bodies, are appointed for terms of office of three years, and may be re-elected.

The Audit Committee was elected at the General Meeting held on 11 May 2015 for the three-year period 2015-2017. It has the competences foreseen in article 423-F of the Companies Code and in its own Regulations.

The Regulations of the Audit Committee are available at the Bank's website at:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

The Audit Committee informs the Board of Directors on a quarterly basis, in writing, of the work it has developed and of conclusions drawn. As the Bank's supervisory body, it is responsible for ensuring compliance with the law and articles of association, and it is entrusted with the following duties:

- Supervising the Bank's management;
- Calling the General Meeting of Shareholders, whenever the Chairman of the Board of the General Meeting fails to do so when he/she should;
- Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;
- Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of that Committee wherein the Bank's annual accounts are appraised;
- Verifying the regularity of the books, accounting records and documents supporting them;
- Verifying the accuracy of the financial statements;
- Monitoring the preparation and disclosure of financial information;
- Supervising the audit of the Bank's annual report and financial statements;
- Drawing up an annual report on its supervisory functions and issuing an opinion on the annual report and accounts and on the proposals presented by the directors, clearly stating its concurrence with the contents of the legal certification of accounts, if that is the case;
- Supervising the efficiency of the risk management system, of the internal quality control system and of the internal audit system and issue a prior opinion on the entity appointed by the Bank to assess the adequacy and efficiency of the internal control system;
- Issuing an opinion on the work plans and resources allocated to the internal audit and compliance services, being the recipient of the reports made by these services, at least when the issues in question relate to the presentation of financial statements, the identification and resolution of conflicts of interests and the detection of potential illegalities;
- On an annual basis, evaluating and monitoring the independence of the external auditor and of the statutory auditor and propose their election by the General Meeting; being responsible, under the powers delegated by the Board of Directors, pursuant to subparagraph b), number 2.2. of article 7 of the Board of Director's Regulations, for proposing to the General Meeting the contracting and replacement of the statutory auditor and external auditor or proposing his discharge or termination of the contract for provision of his services whenever there are fair grounds for such;
- Issuing an opinion on the remuneration of the external auditor and of the statutory auditor, supervising compliance with the rules concerning the provision of additional services, ensuring that the external auditor has all the conditions for the exercise of its functions and evaluating its performance on an annual basis;
- Issuing an opinion on the internal service order that regulates the internal reporting of irregularities;
- Receiving, handling and recording the communications of serious irregularities related with the management, accounting organization and internal supervision and of serious signs of infractions of duties foreseen in the Legal Framework for Credit Institutions and Financial Companies, and remaining Portuguese and European legislation in force, presented by shareholders, Bank employees or other;
- Suspending directors and appointing substitute directors under the terms of the law and of the articles of association;
- Issuing an opinion on the technical and professional profile of the candidates for the position of Head of Internal Audit of the Bank, Head of the Compliance Office of the Bank and of Group Treasurer;
- Issuing an opinion on the share capital increases resolved by the Board of Directors;
- Issuing a prior opinion on the agreements for the provision of supplies and services established between the Bank and holders of stakes above 2% of the Bank's share capital or entities that are in a controlling or group relationship with them or members of the management body, directly or through third parties, provided that (i) the material engagement limit exceeds the amount of €100,000/year, per group of suppliers, (ii) the costs have not been previously budgeted and (iii) the remaining conditions set forth in article 5 (3) of the Regulations of the Board of Directors are not met;
- Issuing a prior opinion on the credit operations, regardless of their form, or engagement of services to (i) members of the corporate bodies (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of art. 20 of the Securities Code, as well as to (iii) natural or legal persons related to them.

The Audit Committee always holds mandatory regular meetings with the external auditors and statutory auditor at the time of appraisal of the interim and full year financial statements of the Bank. The Audit Committee receives the Reports of the Internal Audit Division, Statutory Auditor and External Auditors. The Audit Committee holds regular meetings with the Directors in charge of the Financial, Credit and Risk Areas, the Risk Officer, Compliance Officer and Head of Internal Audit, the Coordinating Managers of the Studies and Planning and Asset and Liability Management Division and of the Accounting Division. It has the power to summon or request clarifications from any Coordinating Manager or Employee of the Bank whom it wishes to hear.

Without prejudice to the hierarchical relationship maintained with the Executive Committee, the head of the Internal Audit Division, the Risk Officer and Compliance Office report functionally to the Audit Committee on the following matters: activity plans; activity reports; organisation and operation documents of the internal audit and compliance areas; situations detected that involve high risk; supervisory actions and relevant lawsuits; and constraints to the effective execution of the defined legal and regulatory functions, namely with respect to the allocated resources. In turn, the Audit Committee, independently of the direct reporting of the Audit Division, Risk Office and Compliance Office, informs the Chairman of the Board of Directors of all and any situation detected that it deems might qualify as being of high risk.

Since its election, on 11 May 2015, the Audit Committee has the following composition:

Chairman: João Manuel de Matos Loureiro (Not Independent, due to having performed duties in the last 3 terms of office, one of which incomplete)

Members: Jaime de Macedo Santos Bastos (Independent)
Cidália Maria Mota Lopes (Independent)
José Rodrigues de Jesus (Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds)

All of the members of this Committee were subject to a performance assessment by the Committee for Nominations and Remunerations.

All the members of the Audit Committee have levels of responsibility and understanding of the activities conducted by the company that match the functions assigned to them, allowing them to make an unbiased evaluation of the decisions made by the management body, and to efficiently supervise its activities. All the members of this Committee have appropriate knowledge, competences and experience to clearly understand and monitor the risk strategy, within a coherent governance framework, compatible with the risk management systems.

The professional qualifications and other curricular details of each member of the Audit Committee are presented in Annex I of this Corporate Governance Report.

This Committee received logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the Office Head.

During 2016, the Audit Committee held twenty-two meetings.

Attendance of the Audit Committee meetings by each of its members is shown in the following table:

NUMBER OF MEETINGS ATTENDED AND EFFECTIVE PARTICIPATION INDEX PER MEMBER

Members of the Audit Committee	Number of meetings attended	
João Manuel de Matos Loureiro	22	100%
Cidália Maria Mota Lopes	22	100%
Jaime de Macedo Santos Bastos	21	95.45%
José Rodrigues de Jesus	22	100%

EXECUTIVE COMMITTEE

On 11 May 2015, and under the terms of article 407 of the Companies Code and article 35 of the Bank's Articles of Association, the Board of Directors appointed an Executive Committee, composed of seven of its members. The Board of Directors established its mode of operation and delegated to this committee the powers to conduct the Bank's current management.

In its internal organisation, the Executive Committee has distributed areas of special responsibility to each of its members. As at 31 December 2016, the distribution of these areas of special responsibility was as follows:

BOARD OF DIRECTORS

António Monteiro	
Board of Directors' Support Office	(NA)
Company Secretary's Office	(NA)
Fundação Millennium bcp	(NA)

EXECUTIVE COMMITTEE

Nuno Amado (NA)	
Office of the Chairman of the Executive Committee	(MM)
Communications Division	(MM)
Human Resources Division	(IS)
Audit Division	(IS)
General Secretariat and Relations with External Entities	(MM)

Miguel Maya (MM)	
Credit Division	(MB)
Retail Recovery Division	(MB)
Specialised Recovery Division	(MB)
Small Amounts Recovery Division	(MB)
Specialised Monitoring Division	(MB)
Real-Estate Business Division	(MB)

Miguel Bragança (MB)	
International, Treasury and Markets Division	(MM)
Investor Relations Division	(MM)
Accounting and Consolidation Division	(MM)
Research, Planning and ALM Division	(MM)
Management Information Division	(MM)
Tax Advisory Division	(MM)

Conceição Lucas (CL)	
Large Corporate Division	(RMT)
Investment Banking Division	(RMT)
Companies and Corporate Division – North	(RMT)
Companies and Corporate Division – Centre	(RMT)
Companies and Corporate Division – South	(RMT)
Companies Marketing Division	(RMT)
Companies, Corporate, Africa and Orient Business Development	(RMT)

Rui Manuel Teixeira (RMT)	
Retail Banking Division – North	(CL)
Retail Banking Division – Centre	(CL)
Retail Banking Division – South and Islands	(CL)
Retail Marketing Division	(CL)
Segments Management Division	(CL)
Quality and Network Support Division	(CL)
Direct Banking Division	(CL)
Private Banking Division	(CL)

Iglésias Soares (IS)	
Operations Division	(JMP)
IT Division	(JMP)
Logistics and Procurement Division	(JMP)
Legal Advisory and Litigation Division	(JMP)
Compliance Office	(JMP)

José Miguel Pessanha (JMP)	
Risk Office	(IS)
Rating Division	(IS)
Office for the Regulatory and Supervision Monitoring	(IS)
Office for the Validation and Monitoring of Models	(IS)

Subsidiary companies		
Bank Millennium (Poland)	MB	(MM)
Millennium BIM (Mozambique)	MM	(CL)
Banque Privée BCP (Suisse)	RMT	(CL)
Millennium bcp Bank & Trust	RMT	(CL)
ActivoBank	RMT	(CL)
BCP Capital	MM	(CL)
Millennium bcp Ageas	JMP	(RMT)

( ) Alternate Director

The Company Secretary sends to the Chairman of the Board of Directors and to the Audit Committee the agendas and minutes of the meetings of the Executive Committee.

The Chairman of the Executive Committee represents this Committee and convenes and conducts the respective meetings, has the casting vote, in addition to direct accountability for the respective areas of responsibility, and has the following duties:

- Coordinates the activities of the Executive Committee, distributing special areas of responsibility among its members, and entrusting one or more with the preparation or follow-up of the issues appraised or decided on by the Executive Committee;
- Monitoring the correct execution of the resolutions adopted by the Executive Committee, with the help of the Executive Director responsible for the area concerned;
- Ensures that all the relevant information is provided to the other members of the Board of Directors relative to the activity and deliberations of the Executive Committee;
- Assures compliance with the limits of delegation of competences, the approved strategy for the Bank and Group, and the duties of collaboration with the Board of Directors and, in particular, with its Chairman.

The Regulations of the Executive Committee are available on the Bank's website at the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) Functioning

22. Existence and location where the operating regulations, as applicable, of the Board of Directors, of the Executive Committee of the Audit Committee and of the Executive Board of Directors can be consulted

The regulations of the Board of Directors, the Executive Committee and the other Committees of the Board of Directors are provided to each member of these governing bodies upon election or appointment, and are available on the internal portal and at the Bank's website at the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

23. The number of meetings held and the attendance report for each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable

During 2016, the Board of Directors held fifteen meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level, through presence or representation, of each one of the members of the Board of Directors at meetings is shown in the following table:

Non-Executive Members of the Board of Directors (BoD)	Attendance in Person	Attendance by Representation	Total Attendance
António Vítor Martins Monteiro	100.00%	0.00%	100.00%
Carlos José da Silva	86.60%	13.40%	100.00%
Álvaro Roque de Pinho de Bissaia Barreto	93.30%	6.70%	100.00%
André Magalhães Luís Gomes	86.60%	6.70%	93.30%
André Palma Mira David Nunes(1)	0.00%	0.00%	0.00%
António Henriques de Pinho Cardão	93.30%	6.70%	100.00%
António Luís Guerra Nunes Mexia	53.30%	33.30%	86.60%
Bernardo de Sá Braamcamp Sobral Sottomayor(2)	100.00%	0.00%	100.00%
Cidália Maria Mota Lopes	93.30%	6.70%	100.00%
Jaime de Macedo Santos Bastos	100.00%	0.00%	100.00%
João Bernardo Bastos Mendes Resende	93.30%	0.00%	93.30%
João Manuel de Matos Loureiro	93.30%	6.70%	100.00%
José Rodrigues de Jesus(3)	100.00%	0.00%	100.00%
Raquel Rute da Costa David Vunge	86.60%	0.00%	86.60%

(1) Director appointed on 02-12-2016 by the government for the duration of the state aid to increase own funds.
(2) Following his personal request and by order of 26 February 2016 of the Minister of Finance, Bernardo de Sá Braamcamp Sobral Sottomayor, one of the State representatives appointed pursuant to the Bank's recapitalisation plan, was exonerated from the position of non-executive member of the Board of Directors.
(3) Director appointed on 04-12-2012 by the government for the duration of the state aid to increase own funds.

During 2016, the Executive Committee held fifty-five meetings and its secretarial services were administered by the Company Secretary, with minutes having been drawn up of all the meetings.

The attendance level of each member of the Executive Committee at meetings held is shown in the following table:

Executive Members of the Board of Directors [Executive Committee (EC)]	Effective Participation Index
Nuno Manuel da Silva Amado	100.00%
Miguel Maya Dias Pinheiro	100.00%
Miguel de Campos Pereira de Bragança	96.36%(*)
José Jacinto Iglésias Soares	96.36%(*)
José Miguel Bensliman Schorcht da Silva Pessanha	98.18%(*)
Maria da Conceição Mota Soares de Oliveira Callé Lucas	96.36%(*)
Rui Manuel da Silva Teixeira	96.36%(*)

(*) Justifications: i) vacation and/or ii) at the Bank's service

24. Details of competent corporate boards undertaking the performance appraisal of executive directors

The Board of Directors, using the competence vested by article 37 (1) of the Articles of Association and article 7 (2) of its Regulations, has constituted specialised committees, given the duty to monitor certain specific matters on a permanent basis. To this end, the Committee for Nominations and Remunerations was instituted, endowed with competences to assess if all members of the management and supervision bodies have and ensure the competences and the adequacy requirements necessary for the functions exercised or to be exercised.

The Committee for Nominations and Remunerations, within the scope of its competences, acts in accordance with article 30-A (1) and article 115-B, (2) (d) of the Legal Framework for Credit Institutions and Financial Companies, the Instruction of Banco de Portugal nr.12/2015 dated 17 August 2015 and the European legislation in effect, and also with items number 4 and 5 of the Draft of the Guide for the assessment of the suitability of bank board members of the European Central Bank.

The Committee for Nominations and Remunerations is composed of four non-executive members.

The Committee for Nominations and Remunerations, under the competence of assessment of the individual and collective performance of the members of the Board of Directors, including the executive directors, has the duty to:

- Issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;
- Prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors.
- Monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;
- Verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions;
- Make and transmit to the Board of Directors recommendations on candidates for members of the administration and supervision bodies, evaluating the respective profile in terms of professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- Resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;
- Appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;
- Establish a goal for gender representation in the administration body and promote a policy aimed at complying with the defined objective;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;

- Evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies;
- Appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;
- Evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;
- Monitor, every year, the human resources and staff management policy.

In general, the Committee for Nominations and Remunerations performs the duties attributed to Nomination and Remuneration Committees in the Legal Framework for Credit Institutions and Financial Companies and other national and European legislation in force, namely with respect to the assessment of executive and non-executive members of the Board of Directors.

25. Predefined criteria for assessing executive directors' performance

The Committee for Nominations and Remunerations assesses, at least once a year, the good repute, knowledge, competences, practical and theoretical experience, professional qualification, independence, incompatibilities, availability and the minimum and specific requirements for holding the position of each member of the management and supervisory body, including the executive directors, thus validating the adequacy of the management body as a whole.

Pursuant to article 5 of its Regulations and being the body responsible for the Bank's nomination policy, the Committee for Nominations and Remunerations actively contributes to compliance with the institutional obligations with respect to the endorsement of suitable policies on individual and collective assessment of the members of the management and supervisory bodies. With a view to optimising the appropriate performance of its duties, the Committee for Nominations and Remunerations uses external consultants specialised in consulting services in talent areas (Mercer) to assist in the transparent, strict and rigorous process of assessment of aptitude and performance of the members of the executive committee in accordance with, namely, the following specific and predefined criteria:

- Reputation;
- Qualification, theoretical training and practical experience;
- Professional experience, capacity to apply the competences acquired in previous positions;
- Availability, diligence in the performance of the respective duties with the necessary commitment of time and attention;
- Making focused decisions;
- Independence to hold the position;
- Conflicts of interest and independence of mind;
- Risk perception and decision-making capacity;
- Drive towards institutional growth;
- Acting with loyalty and weighing up of the interests of the company and of all its stakeholders;
- Strategic vision, independence, transparency and good repute;
- Assessment of aptitude and performance on a continuous basis.

In addition, the qualifications of the members of the management bodies have been improved through training actions by own initiative of the members or provided by external trainers with a recognized technical expertise. The company makes available on the Bank's internal website supporting the Board of Directors, a summary on the domestic and EU legislation which is most relevant within the scope of banking regulation and supervision.

Based on the criteria referred to above, the Committee for Nominations and Remunerations prepares two questionnaires and requires their completion by each member of the Board of Directors: one for self-assessment and collective appraisal of the management body, and another considering adequacy aimed at appraising compliance with the necessary legal requirements for performance of duties. Based on the collected information and supplemented by a matrix of collective appraisal, pursuant to Annex II of Banco de Portugal Instruction 12/2015, the Committee for Nominations and Remunerations prepares an annual assessment report for each member of the management and supervisory body, and of these bodies as a whole.

26. The availability of each member of the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and details of the positions held at the same time in other companies within and outside the group, and other relevant activities undertaken by members of these boards throughout the financial year

According to the assessments that have been made, it was found that each executive and non-executive member of the Board of Directors showed willingness and dedicated to the performance of his/her duties the necessary time, proportional to the importance of the matters to be addressed, assessed in the light of the interest that the different issues pose to the company, as well as of the specific tasks entrusted to each member.

The positions held by each executive and non-executive member of the Board of Directors, indicating positions held in other companies, within and outside the Group and other activities developed, are described in the following tables:

A – NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS (BOD) AND MEMBERS OF THE AUDIT COMMITTEE (AUDC)

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
António Vítor Martins Monteiro	Chairman of the Board of Directors Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct	Chairman of the Board of Curators of Fundação Millennium bcp Chairman of the International Board of Fundação Millennium bcp	Non-Executive Member of the Board of Directors of SOCO International, plc Non-Executive Member of the Board of Directors of Banco Sabadell, as representative of Banco Comercial Português, S.A. (renounced to the position on 20 January 2017)	Chairman of the Advisory Board of the Gulbenkian Programme Partnerships for Development – Fundação Calouste Gulbenkian	Not Independent (a)	Compliant
Carlos José da Silva	Vice-Chairman of the Board of Directors Chairman of the Committee for Nominations and Remunerations	Member of the Board of Curators of Fundação Millennium bcp	Non-Executive Chairman of the Board of Directors of Banco Millennium Atlântico, S.A. Non-Executive Chairman of the Board of Directors of Banco Privado Atlântico Europa, S.A. Non-Executive Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A. Chairman of the Board of Directors of the Angola Management School		Independent (b)	Compliant (b1)
Álvaro Roque de Pinho de Bissaia Barreto	Member of the Board of Directors Chairman of theCommittee for Risk Assessment Member of the Committee for Nominations and Remunerations		Non-Executive Chairman of the Board of Directors of Tejo Energia Prod. Dist. Energia Elect. S.A. Non-Executive Member of the Board of Directors of Nutrinveste - Soc. Gestora de Part. Sociais, S.A.	Member of the Senior Board of Fundação Bissaya Barreto Chairman of the Board of the General Meeting of Primedrinks, S.A.	Independent	Compliant
André Palma Mira David Nunes	Member of the Board of Directors Member of the Committee for Nominations and Remunerations Member of the Committee for Risk Assessment		Partner of Raven Capital, Lda.		Not applicable (c)	Not applica-ble (art.33, nr. 5 of the LFCIFC)

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Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
André Magalhães Luís Gomes	Member of the Board of Directors Member of the Committee for Risk Assessment Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Lawyer at Sociedade de Advogados Luíz Gomes & Associados Non-Executive Member of the BoD of Fundação de Arte Moderna e Contemporânea – Colecção Berardo Non-Executive Member of the BodD of Bacalhôa – Vinhos de Portugal, S.A.	Chairman of the Board of the General Meeting of FGA Capital Instituição Financeira de Crédito, S.A.; Chairman of the Board of the General Meeting of FGA Distribuidora Portugal, S.A. Chairman of the Board of the General Meeting of Fiat Group Automobiles Portugal, S.A. Chairman of the Board of the General Meeting of Rentipar Financeira, SGPS, S.A. Chairman of the Board of the General Meeting of Quinta do Carmo - Sociedade Agrícola S.A. Chairman of the Board of the General Meeting of Explorer Investments – Sociedade Capital de Risco S.A. Chairman of the Board of the General Meeting of Explorer Investments SGPS, S.A. Chairman of the Board of the General Meeting of Atena Equity Partners - Sociedade de Capital de Risco, S.A. Chairman of the Board of the General Meeting of Charon – Prestação de Serviços de Segurança e Vigilância , S.A. Chairman of the Board of the General Meeting of Optime Investments – Soc. Capital de Risco, S.A. Ferrado Nacomporta, S.A.	Independent	Compliant
António Henriques de Pinho Cardão	Member of the Board of Directors Member of the Committee for Risk Assessment Member of the Committee for Nominations and Remunerations		Non-executive member of the Board of Directors of Cimpor – Cimentos de Portugal, S.A. Member of the Audit Committee of Cimpor – Cimentos de Portugal, S.A. Chairman of the Board of Auditors of the company Vila Galé, Soc. Empreendimentos Turísticos, S.A.	Vice-Chairman of the Executive Management of Associação Missão Crescimento Chairman of the Audit Board of Associação Por Uma Democracia de Qualidade Member of the Economists Association Member of the Chartered Accountants Association Partner at SEDES – Associação para o Desenvolvimento Económico e Social	Independent	Compliant

(to be continued)

(continuation)

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
António Luís Guerra Nunes Mexia	Member of the Board of Directors Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Chairman of the Executive Board of Directors of EDP - Energias de Portugal, S.A. Non-Executive Chairman of the Board of Directors of EDP Renováveis, S.A. (Spain) Non-Executive Chairman of the Board of Directors of EDP – Energias do Brasil, S.A.	Chairman of the Board of Directors of Eureletric Chairman of the Board of Directors of Fundação EDP	Not Independent (d)	Compliant (d.1.)
João Bernardo Bastos Mendes Resende	Member of the Board of Directors Member of the Committee for Risk Assessment			Member of the Management Board of Instituto de Estudos Económicos Member of the Advisory Board of Banco Sabadell – Urquijo Banca Privada	Not Independent (e)	Compliant
Raquel Rute da Costa David Vunge	Member of the Board of Directors Member of the Committee for Corporate Governance, Ethics and Professional Conduct		Non-Executive Member of the Board of Directors of Galp Energia, SGPS, S.A. Member of the Board of Directors of Caixa Angola		Not Independent (f)	Compliant
Jaime de Macedo Santos Bastos	Member of the Board of Directors Member of the Audit Committee		Statutory Auditor in several companies Managing Partner of the Chartered Accountants Company Kreston & Associados, SROC, Lda.		Independent	Compliant
João Manuel de Matos Loureiro	Member of the Board of Directors Chairman of the Audit Committee		Professor at the School of Economics of the University of Porto (FEP) Professor at Porto Business School (PBS)	Chairman of the Board of Representatives at the School of Economics of the University of Porto Director of the Post Graduate Degree in Company Management of Porto Business School (PBS)	Not Independent (g)	Compliant
Cidália Maria Mota Lopes	Member of the Board of Directors Member of the Audit Committee		Professor at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC) Invited Professor at the Masters Degree in Accounting and Finance from the School of Economics of the University of Coimbra Invited Professor at the Masters Degree in Public Companies Administration at the School of Law of Universidade de Coimbra (FDUC)	Member of the Scientific Board of the Portuguese Fiscal Association (AFP) Member of the International Fiscal Association (IFA)	Independent	Compliant

(to be continued)

(continuation)

Non-Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
José Rodrigues de Jesus	Member of the Board of Directors Member of the Audit Committee		Single Auditor at Arlindo Soares de Pinho, Lda. Single Auditor at Arsopi - Indústrias Metalúrgicas Arlindo S. Pinho, S.A. Single Auditor at Arsopi – Holding, Soc. Gestora de Participações Sociais, S.A. Single Auditor at Calfor – Indústrias Metálicas, S.A. Single Auditor at DIMO – Desenvolvimento Imobiliário e Construção, S.A. Single Auditor at Edemi Gardens - Promoção Imobiliária, S.A. Single Auditor at Camilo dos Santos Mota, S.A. Single Auditor at Oliveira Dias, S.A. Member of the Board of Auditors of Imoagueda, SGPS, S.A. Chairman of the Audit Board of Ageas Portugal – Companhia de Seguros de Vida, S.A. (previously denominated AXA Portugal, S.A.) Chairman of the Audit Board of Ageas Portugal - Companhia de Seguros, S.A. (previously denominated AXA Portugal, S.A.) Member of the Board of Auditors of Mota Engil, SGPS, S.A. Member of the Board of Auditors of Germen – Moagem de Cereais, S.A. Member of the Board of Auditors of Labesfal – Laboratórios Almiro, S.A.	Chairman of the Audit Board of APAF – Associação Portuguesa de Analistas Financeiros Member of the Chartered Accountants Association, of the Economists Association and of the Certified Accountants Association Member of the Research Office of the Certified Accountants Association	Not applicable [h]	Not applicable (art.33, nr. 5 of the LFCIFC)

[a] Until 18-11-2016, when the Bank completed its second share capital increase of 2016, he was connected with a shareholder that held a qualifying shareholding and he is in his fourth term of office, though one was incomplete.
[b] Until 18-11-2016, when the Bank completed its second share capital increase of 2016, he was connected with a shareholder that held a qualifying shareholding.
[b.1.] The European Central Bank authorised the cumulation of another non-executive position by letter dated 29.12.2015.
[c] Director appointed on 02-12-2016 by the government for the duration of the state aid to increase own funds.Due to the early repayment in full of the public investment to reinforce the Bank's own funds, the Bank awaits the decision from the Minister of Finance to exonerate him from the positions to which he was appointed.
[d] The director in question is in his fifth term of office and is connected to a shareholder with a qualifying stake.
[d.1.] The European Central Bank authorised the cumulation of another non-executive position by letter dated 29.12.2015.
[e] The director was connected to a shareholder with a qualifying stake until 12-12-2016. He presented his renunciation on 10 February 2017.
[f] The director in question is connected to a shareholder with a qualifying stake.
[g] The director is in his fourth term of office, though one was incomplete.
[h] Director appointed by the government for the duration of the state aid to increase own funds. Due to the early repayment in full of the public investment to reinforce the Bank's own funds, the Bank awaits the decision from the Minister of Finance to exonerate him from the positions to which he was appointed.

B – EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Nuno Manuel da Silva Amado	Vice-Chairman of the BoD Chairman of the Executive Committee	Member of the Board of Curators of Fundação Millennium bcp Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)	Vice-Chairman of the Management Board of APB – Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A. Member of the Supervisory Board of EDP – Energias de Portugal, S.A.	Member of the Institut International D'Etudes Bancaires Member of the Board of Auditors of Fundação Bial Chairman of the Advisory Board of Centro Hospitalar do Oeste Member of the General Board of Universidade de Lisboa Effective member of the Plenary of the Interdisciplinary Specialised Committee for Birth-rate (CEPIN) – Conselho Económico e Social (CES) Effective member of the Plenary of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social Member of the Advisory Board of do BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A.	Executive	Compliant

(to be continued)

(continuation)

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Miguel Maya Dias Pinheiro	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, S.A. Manager of BCP África, SGPS, Lda. Chairman of the Board of Directors of BCP Capital - Sociedade de Capital de Risco, S.A. Vice-Chairman of the Board of Directors of BIM - Banco Internacional de Moçambique, S.A. Vice-Chairman of the Remunerations Commission of BIM - Banco Internacional de Moçambique, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.	Member of the Senior Board - Alumni Clube ISCTE	Executive	Compliant
Miguel de Campos Pereira de Bragança	Member of the Board of Directors Vice-Chairman of the Executive Committee	Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A. Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda. Manager of BCP África, SGPS, Lda. Member of the Supervisory Board of Bank Millennium, S.A. (Poland)	Manager of Quinta das Almoínhas Velhas - Imobiliária, Lda.	Member of the Board of Fundação Casa de Bragança	Executive	Compliant

(to be continued)

(continuation)

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
José Jacinto Iglésias Soares	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Millennium bcp - Prestação de Serviços, ACE	Non-Executive Member of the Board of Directors of SIBS, SGPS, S.A. Non-Executive Member of the Board of Directors of SIBS Forward Payment Solutions, S.A. Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A.	Member of the General Board of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado, representing BCP S.A. Member of the General Board of IPCG – Instituto Português de Corporate Governance, representing BCP S.A.	Executive	Compliant
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Board of Directors Member of the Executive Committee	Vice- Chairman of the Board of Directors of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Chairman of the Board of Directors of Millennium bcp Ageas Grupo Segurador, SGPS, S.A. Vice-Chairman of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. Vice-Chairman of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Audit Committee of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A.			Executive	Compliant

(to be continued)

(continuation)

Executive Members of the Board of Directors of BCP	Current Positions in BCP	Positions in BCP Group companies	Positions in companies outside the BCP Group	Other Relevant Activities	Qualification	Cumulation of Positions (Art. 33 of the LFCIFC)
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Member of the Board of Directors Member of the Executive Committee	Manager of BCP África, SGPS, Lda. Member of the Board of Directors of BCP Capital – Soc. de Capital de Risco, S.A. Member of the Board of Directors of BIM – Banco Internacional de Moçambique, S.A. Member of the Remunerations Commission of BIM – Banco Internacional de Moçambique, S.A. Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of Banco Millennium Atlântico, S.A.		Executive	Compliant
Rui Manuel da SilvaTeixeira	Member of the Board of Directors Member of the Executive Committee	Chairman of the Board of Directors of Banco Activobank, S.A. Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A. Member of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros Vida, S.A. Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. Member of the Supervisory Board of Bank Millennium, S.A. (Poland) Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.	Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A. Member of the Remunerations Commission of SIBS, SGPS, S.A. Member of the Remunerations Commission of SIBS Forward Payment Solutions, S.A.	Chairman of the Board of the General Meeting of Porto Business School	Executive	Compliant

c) Committees within the Board of Directors

27. Details of the committees created within the Board of Directors, the General and Supervisory Board and the Executive Board, where applicable, and the place where the rules on the functioning thereof is available

In addition to the Audit Committee and the Executive Committee, the Bank's Board of Directors, in order to ensure and contribute to the good and appropriate performance of the duties that are legally and statutorily entrusted to it, appointed three other specialised committees, responsible for monitoring specific matters, which are identified as follows:

a) Committee for Risk Assessment – Composed of three to five non-executive members of the Board of Directors, appointed by this body.

All the members of this committee have appropriate knowledge, competences and experience to be able to understand, analyse and monitor the specific categories of risk faced by the company, risk appetite and the defined risk strategy, as confirmed by the respective curricula attached to the present Report.

Among the competences of the Committee for Risk Assessment, the following are highlighted:

- Advise the Board of Directors on the appetite for risk and the risk strategy and also on the policies concerning the assumption, management, control, hedging of risk and on the Bank's generic risk reduction factors, current and future;
- Assess the risks' specific categories, namely credit, based on the internal ratings and those related with the compliance control function, monitoring and assessing the risk of non-compliance with the legal requirements the Bank is subject to;
- Assist the administration body in the supervision of the execution by the top management of the Bank's risk strategy;
- Assess if the conditions of the products and services offered to customers take into consideration the Bank's business model and risk strategy and, if necessary, present to the Board of Directors the respective correction plans;
- Examine if the incentives established in the remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income. (During 2016, the Committee for Risk Assessment did not perform this duty because no incentives were assigned due to the enforcement of the public investment to reinforce the Bank's own funds);
- Assess if the resources are allocated to risk management in accordance with the General Framework for Credit Institutions and Financial Companies and with the remaining domestic and European legal requirements in effect;
- Actively participate in the evaluation of assets and in the use of external risk ratings and of models related with those risks;
- Monitor and ensure that the Bank's risk management systems are appropriate for the Bank's profile and strategy.

For the exercise of its functions, the Committee for Risk Assessment has access to information on the Bank's risk situation and is entitled to determine the nature, quantity, format and frequency of the information concerning risks that it should receive. This Committee also implements internal procedures for communication with the Board of Directors and Executive Committee.

The Committee will inform the Board of Directors of its activities by means of a detailed quarterly report, without prejudice to the duty of reporting to the Chairperson of the Board of Directors any and all situations the Committee finds and deems to be of high risk.

During 2016, the Committee held seven meetings, received the logistic and technical support from the Board of Directors' Support Office, with the secretarial services being administered by the head of this office.

During 2016, the Committee for Risk Assessment was composed as follows:

Chairman:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
Members:	João Bernardo Bastos Mendes Resende (Not Independent) (presented his resignation on 10 February 2017)
	António Henriques de Pinho Cardão (Independente)
	André Magalhães Luiz Gomes (Independent)
	André Palma Mira David Nunes (appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds)

The Regulations of the Committee for Risk Assessment are available on the Bank's website, on the page with the following address: https://ind.millenniumbcp.pt/en/Institucional/governacao/

b) The Committee for Corporate Governance, Ethics and Professional Conduct – is composed of three to five non executive members, appointed by the Board of Directors.

All the members of the Committee for Corporate Governance, Ethics and Professional Conduct have professional qualifications acquired through academic qualification, professional experience or specialised training appropriate to the performance of their duties, as confirmed by the respective curricula attached to the present report.

The competences of the Committee for Corporate Governance, Ethics and Professional Conduct include the following, in particular:

- Recommend the adoption by the Board of Directors of policies, compliant with ethical and professional conduct principles, rules and procedures necessary to comply with the provisos of these Regulations and with the applicable legal, regulatory and statutory requirements, as well as with recommendations, standards and best domestic and international practices in corporate governance;
- Support the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- Evaluate the Compliance function, appraising the procedures in effect and the non-compliant situations;
- Issue opinions addressed to the Board of Directors on the Code of Conduct and on other documents defining business ethical principles;

- Make, on an annual basis, a report to submit to the Board of Directors on the evaluation and monitoring of the structure, ethical and professional conduct principles and corporate governance practices of the Bank and on the company's compliance with the legal, regulatory and supervisory requirements on these issues;
- Cooperate in the making of the Corporate Governance Annual Report concerning issues for which it is responsible;
- Define and propose the guidelines for the Company's policies, based on a culture identified with the ethical and professional conduct principles targeted at contributing for the pursuit of social responsibility and sustainability goals. For that purpose, it specifically pertains to the Committee to propose the guidelines for the social responsibility and sustainability policies of the Company, including, among other, the values and principles for safeguarding the interests of the shareholders, investors and of those interested in the institution and also principles of social charity and environmental protection.

In the specific area of matters related to the governance model endorsed by the Bank, the Committee verifies its efficacy and, when necessary, proposes measures aimed at its improvement to the Board of Directors, annually assessing this model and issuing opinions on the Corporate Governance Report. This Committee also promotes training actions for the Directors. During 2016, the Committee for Corporate Governance, Ethics and Professional Conduct was composed as follows:

Chairman: António Vítor Martins Monteiro (Not Independent)
Members: António Luís Guerra Nunes Mexia (Not Independent)
André Magalhães Luís Gomes (Independent)
Raquel Rute da Costa David Vunge (Not Independent)

The Regulations of the Committee for Corporate Governance, Ethics and Professional Conduct are available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

c) The Committee for Nominations and Remunerations – is composed of three to five members of the administration body who do not perform executive functions and are not members of the Audit Committee, appointed by the Board of Directors.

All the members of this Committee have appropriate knowledge, competences and experience for the good performance of their duties and one member has specific professional qualification and appropriate professional experience to hold this position.

Among the competences of the Committee for Nominations and Remunerations, the following are especially important:

- Issue, at least once a year, informed and independent opinions on the remuneration policy and practices, with the respective criteria for setting the fixed and variable portion of the remuneration, and on the incentives that can be awarded to the employees responsible for risk taking and control functions, for risk, capital and liquidity management purposes, remitting to the Remuneration and Welfare Board the reports made thereon in the portion concerning the administration and supervision bodies, and to the Board of Directors when concerning other corporate bodies;
- Prepare the decisions regarding the remuneration of managers who report directly to the administration and of the employees responsible for the assumption of risks and for control functions, and regarding incentives designed, pondering the decisions with impact on the Bank's risks, capital and liquidity to be made by the Board of Directors.
- Monitor the independence of employees responsible for risk taking and control functions from the areas they control, including the powers given to them and the remuneration based on the accomplishment of the objectives associated to the respective function;
- Verify the implementation and compliance with the remuneration policies and procedures adopted by the competent corporate body, including the supervision of the remuneration of employees that perform risk management and control functions;
- Make and transmit to the Board of Directors recommendations on candidates for members of the administration and supervision bodies, evaluating the respective profile in terms of professional qualification, independence and availability for exercising the office;
- Resolve on the appointment of all employees who are managers reporting directly to the Board of Directors or to any of its Committees, including the Executive Committee;
- Resolve on the appointment of members to the corporate bodies of group companies or subsidiary companies;
- Appraise and send, every year, to the Remuneration and Welfare Board, a model for the evaluation of the performance of the executive and non-executive members of the Board of Directors and of the employees responsible for risk taking and control functions;
- Establish a goal for gender representation in the administration body and promote a policy aimed at complying with the defined objective;
- Make an evaluation or a re-evaluation report on individuals for elective position with the purpose of placing it at the disposal of the general meeting within the scope of the respective preparatory information;
- Evaluate, at least once a year, the knowledge, competences and experience of each one of the members of the administration and supervision bodies and of those bodies as a whole and report the respective results to those bodies;
- Appraise and review, at least once a year, the policy defined by the executive administration body in all matters related with the selection and appointment of the directors that directly report to the Administration and formulate the recommendations it deems convenient;
- Evaluate, at least once a year, the knowledge, competences and performance of employees who report directly to the administration and of employees responsible for risk taking and control functions and to report the results to Board of Directors;
- Monitor, every year, the human resources and staff management policy;

- In general, exercise all the competences attributed to the Committees for Nominations and Remunerations under the provisions of the General Framework for Credit Institutions and Financial Companies and remaining domestic and European legislation in force.

Under its activity, the Committee for Nominations and Remunerations observes the long-term interests of the shareholders, investors and other stakeholders in the institution, as well as the public interest and assures that the decisions taken by the management body are not dominated by any person or small group of persons in detriment of the Bank's general interests.

During 2016, the Committee held three meetings, received the logistic and technical support from the Company Secretary, with the secretarial services being administered by the Company Secretary.

During 2016, the Committee for Nominations and Remunerations was composed as follows:

Chairman:	Carlos José da Silva (Not Independent until 18 November 2016 and Independent after that date)
Members:	Álvaro Roque de Pinho de Bissaia Barreto (Independent)
	António Henriques de Pinho Cardão (Independent)
	André Palma Mira David Nunes (appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds).

The Regulations of the Committee for Nominations and Remunerations available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

28. Composition of the executive Board and/or details of the board delegate/s, where applicable

The composition of the Bank's Executive Committee is as follows:

Chairman:	Nuno Manuel da Silva Amado
Vice-Chairmen:	Miguel Maya Dias Pinheiro
	Miguel de Campos Pereira de Bragança
Members:	José Miguel Bensliman Schorcht da Silva Pessanha
	José Jacinto Iglésias Soares
	Maria da Conceição Mota Soares de Oliveira Callé Lucas
	Rui Manuel da Silva Teixeira

29. Description of the powers of each of the committees established and a summary of activities undertaken in exercising said powers

The competences of each of the specialised committees created within the Board of Directors are as follows:

- Audit Committee – On this matter, see the information presented in item 21. – Audit Committee;
- Executive Committee – On this matter, see the information presented in item 21. – Executive Committee;
- Committee for Risk Assessment – On this matter, see the information presented in item 27. a.;
- Committee for Corporate Governance, Ethics and Professional Conduct – On this matter, see the information presented in item 27. b.;
- Committee for Nominations and Remunerations – On this matter, see the information presented in items 24, 25 and 27 c.

III. SUPERVISION

a) Composition

30. to 32. Identification, composition and qualification concerning the independence requirement of the body and supervision – the Audit Committee

See the information presented in items 10, 17, 18, 21. – Audit Committee and 26.

33. Professional qualifications of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and other important curricular information, and reference to the section of the report where said information already appears

On this matter, see the academic curricula, specialised training and professional experience presented in Annex I of this Report.

b) Functioning

34. Availability and place where the rules on the functioning of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, may be viewed, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21.

35. The number of meetings held and the attendance report for each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, and reference to the section of the report where said information already appears

On this matter, see the information presented in item 21.

36. The availability of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Financial Matters Committee, where applicable, indicating the positions held simultaneously in other companies inside and outside the group, and other relevant activities undertaken by members of these Boards throughout the financial year, and reference to the section of the report where such information already appears

On this matter, see the information presented in item 26.

c) Competence and duties

37. A description of the procedures and criteria applicable to the supervisory body for the purposes of hiring additional services from the external auditor

The Bank follows best practices in terms of assured independence in the contracting of services rendered by the external auditors, namely, in international terms, the principles embodied in the Sarbanes-Oxley Act and the rules approved by the Securities and Exchange Commission, at a European level, Commission Recommendation 2002/590/EC of 16 May 2002, Commission Recommendation 2005/162/EC of 15 February 2005, Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, amending Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (8th EU Company Law Directive), on statutory audits of annual accounts and consolidated accounts, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. Finally, at national level, the commercial legislation, the recommendations and regulations of the Comissão do Mercado de Valores Mobiliários (CMVM), Law nr. 248/2015 of 9 September, which approved the Legal Framework for the Supervision of Audit, and the stipulations, as specifically applicable, in the Statute of the OROC (Portuguese Chartered Accountants Association) approved by Law 140/2015 of 7 September, which partially transposes to the internal legal system the aforesaid Directive 2014/56/EU and assures the implementation of Regulation (EU) 537/2014. The Bank's Articles of Association explicitly list, among the competences of the Audit Committee, that of supervising the independence of the Statutory Auditor and External Auditor, in particular with respect to the provision of additional services.

The Audit Committee, as the Group's supervisory body, has promoted the adoption of rules that assure the independence of the external auditors, and compliance with such rules is assessed and examined on an annual basis, in relation to the Group's various bodies and, at the same time, aimed at avoiding the possible creation of situations of conflicts of interest within the entity providing the Group's legal review of accounts or audit services, creating preventive mechanisms for the approval of additional services and fees.

In view of the principles presented in the national and international regulations, through the rules on "Policies of Approval of Services provided by External Auditors", the Group endorses and systematises a series of regulations relative to:

- (i) Classification of services provided by external auditors, namely Legal Review of Accounts and Audit Services, Other Reliability Assurance Services, Tax Advisory Services and Services Other than Legal Review of Accounts or Audit;
- (ii) Definition of the set of services that are not Legal Review of Accounts or Audit Services, which the external auditor is forbidden from providing to any entity of the Group;
- (iii) Definition of the set of services that are not related to Legal Review of Accounts or Audit, which may be provided to the Group under specific stipulated circumstances;
- (iv) Approval by the Audit Committee of all services engaged to be provided by the external auditor, creating different rules for the authorizations according to the type of services in question; and
- (v) Provision to the Audit Committee of internal control information on the established principles and guidelines.

38. Other duties of the supervisory body and, where appropriate, the Financial Matters Committee

On this matter, see the information presented in item 21. – Audit Committee and preceding item 37.

IV. STATUTORY AUDITOR

39. Identification of the statutory auditor and its representative partner statutory auditor

The current Statutory Auditor and External Auditor of Banco Comercial Português is Deloitte & Associados – SROC, S.A., represented by its partner Paulo Alexandre de Sá Fernandes, ROC nr. 1456 and alternatively by Carlos Luís Oliveira de Melo Loureiro, ROC nr. 572, elected at the General Meeting of Shareholders held on 21 April 2016, for the triennial 2016/2018.

The term of office of the Statutory Auditor and External Auditor began on 2 May, after the 1st quarter's financial statements were presented to the Board of Directors.

40. State the number of years that the statutory auditor consecutively carries out duties with the company and/or group

The External Auditor and the Statutory Auditor were elected at the General Meeting held on 21 April 2016 for the term of office 2016/2018 by a majority of 99.1233% and 94.9982 of the votes cast, respectively and initiated functions on 2 May after the presentation to the Board of Directors of the Bank's quarter's financial statements.

Until that date, the Bank's External Auditor of the Bank and the Statutory Auditor was KPMG Associados, SROC, S.A., effectively represented by its partner Ana Cristina Soares Valente Dourado, ROC nr. 1011, and alternatively by Jean-Èric Gaign, ROC nr. 1013. The alternate Statutory Auditor presented his renunciation to the position on 4 December 2015.

KPMG's performed its functions until the presentation of the quarterly financial statements to the Board of Directors, 2 May 2016.

41. Description of other services rendered by the statutory auditor to the company

On this matter, see the information presented in item 46.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of article 8 and its corresponding representative partner statutory in the performance of duties, together with the CMVM's registry number

The Bank's external auditor and the statutory auditor is Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., registered in OROC under nr. 43 and registered in CMVM under nr. 20161389, represented permanently by its partner registered in OROC under nr. 1456 and in CMVM under nr.20161066 and alternately by Carlos Luís Oliveira de Melo Loureiro, registered in OROC under nr. 572 and in CMVM under nr.20160231.

43. Number of years that the external auditor and respective partner that represents same in carrying out these duties consecutively carries out duties with the company and/or group

The External Auditor and the Statutory Auditor were elected at the General Meeting held on 21 April 2016 for the term of office 2016/2018 and initiated functions on 2 May after the Bank's quarterly financial statements were presented to the Board of Directors. They are currently in their first term of office.

44. Rotation policy and schedule of the external auditor and the respective partner that represents said auditor in carrying out such duties

The Bank complies with the rotation rule foreseen in Law 140/2015, of 7 September, and, therefore, the External Auditor and Statutory Auditor shall not perform duties for more than three terms of office.

The Bank's External Auditor and Statutory Auditor, Deloitte & Associados – Sociedade de Revisores Oficiais de Contas, S.A., currently in functions, as well as the partner representing it, Paulo Alexandre de Sá Fernandes and the alternate Statutory Auditor, Carlos Luís Oliveira de Melo Loureiro, were elected on 21 April 2016, for the term of office 2016/2018.

45. Details of the Board responsible for assessing the external auditor and the regular intervals when said assessment is carried out

The Audit Committee is, under the terms of the Bank's Articles of Association, the body responsible for assessing the quality of the services rendered by the external auditor and respective partner Statutory Auditor, under the terms referred to in item 21 – Audit Committee and item 37. This assessment highlights the professionalism of the auditors, transparency, ethics, quality control and good performance. The Audit Committee permanently monitors the activity of the external auditor and respective partner statutory auditor, in particular appraising the conclusions of the audit of the financial statements, on an individual and consolidated basis, analysing the conclusions of the Desktop Review of the financial statements of the 1st and 3rd quarters and the Limited Review of the half-year interim financial statements, and holds meetings with them whenever necessary. The Audit Committee annually assesses the quality of the services provided by external auditors, as well as their independence, objectivity and critical requirements demonstrated in the performance of their duties. The Bank officials who maintain relevant contact with the Auditors take part in this evaluation.

The Audit Committee supervises the independence of the Statutory Auditor and External Auditor and continuously assesses their performance throughout the financial year.

46. Details of services, other than auditing, carried out by the external auditor for the company and/or companies in a control relationship and an indication of the internal procedures for approving the recruitment of such services and a statement on the reasons for said recruitment

Apart from the Audit work, which includes legal review of accounts services and other reliability assurance services, the fees charged by the External Auditor include also the payment of the following services:

- Tax Advisory Services – tax advisory services to the Group in Portugal and abroad, in which the external auditor intervenes pursuant to a legal requirement;
- Services other than legal review – services other than legal review, which are permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.

With regard to the approval of the engagement of these services and indication of the reasons for their engagement, Millennium bcp maintains a very strict policy of independence in order to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group, KPMG, until 30 April 2016, and Deloitte & Associados – SROC, S.A., as of 1 May 2016, (hereinafter referred to as "External Auditors") comply with the rules on independence defined by the Group, including those established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, by Law 148/2015 of 9 September and by Law 140/2015, of 7 September (Statute of the OROC).

In order to safeguard the independence of the External Auditors, and the national and international good practices and standards, the Bank's Audit Committee approved a series of regulatory principles, as described below:

- The External Auditors and the companies or legal persons belonging to it ("Network") cannot render to the Bank or to the Group the services considered forbidden under the terms of the Statute of the OROC. Although it is generally considered that the independence of External Auditors could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the External Auditors without jeopardising their independence. These services are authorised by the Group Compliance Officer and subject to the ratification of the Audit Committee;

- The provision of any other services by External Auditors, which are not described in the aforementioned set of services that can be executed and are not prohibited, is subject to specific approval by the Audit Committee prior to the execution of the respective contract.

47. Details of the annual remuneration paid by the company and/or legal entities in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (For the purposes of this information, the network concept results from the European Commission Recommendation No. C (2002) 1873 of 16 May)

The amount of the annual remuneration, paid in 2016 by the Company and/or legal persons in controlling or group relations, to the External Auditor (Deloitte) and other natural or legal persons belonging to the same network[(*)], detailed with their respective percentages, is reflected in the following table:

1. REMUNERATION PAID TO DELOITTE BETWEEN 1 MAY AND 31 DECEMBER 2016

	Euros					%			
Companies in Portugal	Audit	Reliability Assurance Services	Tax Advisory	Other Services	**Total**	Audit	Reliability Assurance Services	Tax Advisory	Other Services
Banco Comercial Português, S.A.	1,685,000	832,648	12,250	458,250	**2,988,148**	56.4%	27.9%	0.4%	15.3%
Banco de Investimento Imobiliário, S.A.	27,000	18,500	10,155		**55,655**	48.5%	33.2%	18.2%	
Banco ActivoBank, S.A.	21,000	9,000	1,700		**31,700**	66.2%	28.4%	5.4%	
Interfundos – Gest. Fund. Inv. Imob. S.A.	13,000		900		**13,900**	93.5%		6.5%	
Millennium BCP – Prestação Serviços, ACE	22,500		900		**23,400**	96.2%		3.8%	
Millennium bcp Imobiliária, S.A.	21,000		1,150		**22,150**	94.8%		5.2%	
Servitrust – Trust and Management Services, S.A.	5,000				**5,000**	100.0%			
Millennium BCP Participações Financeiras, SGPS, Soc. Unipessoal, Lda.	5,000		1,200		**6,200**	80.6%		19.4%	
Imabida – Imobiliária da Arrábida, S.A.	5,000				**5,000**	100.0%			
BCP África, SGPS, Lda.	10,000				**10,000**	100.0%			
Millennium bcp – Serviços de Comércio Electrónico, S.A.	2,000				**2,000**	100.0%			
Irgossai – Urbanização e Construção, S.A.	3,000				**3,000**	100.0%			
BCP Capital Soc. Capital Risco	7,500		1,200		**8,700**	86.2%		13.8%	
Millennium Fundo de Capitalização, FCR	11,000				**11,000**	100.0%			
Fundo M Inovação, FCR	2,500				**2,500**	100.0%			
Magellan 2 and 4	35,400				**35,400**	100.0%			
Fundação Millennium bcp	1,000				**1,000**	100.0%			
TOTAL	1,876,900	860,148	29,455	458,250	**3,224,753**	58.2%	26.7%	0.9%	14.2%

[(*)] For purposes of this information, "network" shall mean article 2, paragraph p) of the Legal Framework for the Supervision of Audit, approved by Law nr. 148/2015, of 9 September.

2. REMUNERATION PAID TO DELOITTE FOR SERVICES RENDERED BETWEEN 1 MAY TO 31 DECEMBER 2016

Companies Abroad	Euros: Audit	Euros: Reliability Assurance Services	Euros: Tax Advisory	Euros: Other Services	Euros: Total	%: Audit	%: Reliability Assurance Services	%: Tax Advisory	%: Other Services
Bank Millennium, S.A. (Poland)		92,007		350,153	**442,160**		20.8%		79.2%
Millennium BIM, S.A. (Mozambique)		115,125			**115,125**		100.0%		
Millennium BCP Bank & Trust (Cayman Islands)	26,000	2,500			**28,500**	91.2%	8.8%		
BCP Finance Bank, Ltd. (Cayman Islands)	14,500				**14,500**	100.0%			
BCP Finance Company (Cayman Islands)	7,000				**7,000**	100.0%			
BCP Investment, B.V. (Netherlands)	37,500			15,000	**52,500**	71.4%			28.6%
BCP International B.V. (Netherlands)(*)	15,000				**15,000**	100.0%			
TOTAL	100,000	209,632	0	365,153	674,785	14.8%	31.1%	0.0%	54.1%

(*) Former Alo Investment B.V.

REMUNERATION PAID TO DELOITTE FOR SERVICES RENDERED BETWEEN 1 MAY TO 31 DECEMBER 2016

(Summary)	Euros: Audit (Audit+RA)	Euros: Other (TAX + Oth)	Total	%: Audit (Audit+RA)	%: Other (TAX + Oth)
TOTAL	3,046,680	852,858	**3,899,538**	78.1%	21.9%

Between January and April 2016, KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A. charged fees for services provided worth 675,773 euros, including 340,823 euros for audit services.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. The rules governing amendment to the company's articles of association

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum of over one third of the share capital for the General Meeting of Shareholders to be able to validly meet and resolve on first call.

Regarding the resolution quorum, the Articles of Association only diverge from the law with respect to resolutions on the merger, demerger and transformation of the Company, which require approval by three quarters of the votes cast, and dissolution of the Company where a majority corresponding to three quarters of the paid-up share capital is required.

The Bank and the shareholders that approved the articles of association in force consider that, since Banco Comercial Português is one of the companies with the largest free float in the Portuguese Stock Exchange, it is important to ensure that, in any circumstance and not only in the case specifically mentioned in the law, the shareholders, regardless of their respective representativeness, receive the guarantee that, on first call, the items submitted to the appraisal of the General Meeting can only be resolved on if the capital is minimally represented.

II. COMMUNICATION OF IRREGULARITIES

49. Reporting means and policy on the reporting of irregularities in the company

The Bank upholds a culture of responsibility and compliance, preventing conflicts of interest and recognising the importance of an appropriate framework and processing of the communication of irregularities, as an instrument of good corporate practice. For this purpose, suitable means have been implemented for receiving, treating and filing communications of irregularities allegedly committed by members of governing bodies and employees of the Bank and companies included in the BCP Group.

Irregularities are actions and omissions, with malicious intent or negligence, related to the management, accounting organisation and internal supervision of the Bank, which may seriously:

- Violate the legal, regulatory and internal provisions;
- Jeopardize the safeguarding of the financial system and the clients' interests;
- Cause reputational damage to the Group.

The policy of communication of irregularities is regulated in an internal service order and is available at the Bank's website, on the page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Documents/Comunicacao-Irregularidades_EN.pdf

In compliance with this policy, irregularities may be reported by employees, agents, commissionaires or any other person that renders services, either permanently or occasionally, to the Bank or to any entity of the Group, shareholders and by any other person.

The employees are bound by the duty to inform the Audit Committee of any irregularity that has occurred and that they are aware of. This is particularly the case for employees in managerial positions or who perform duties in internal audit, risk management or compliance areas.

The irregularities can be reported by any means of written communication, addressed to: Comissão de Auditoria – Av.ª Prof. Dr. Cavaco Silva (TagusPark), Edifício 1, 2744-002 Porto Salvo, or to the e-mail address:

comunicar.irregularidade@millenniumbcp.pt.

The Audit Committee is responsible for managing the communication of irregularities system and for assuring the confidentiality of the communications, being supported by the Board of Director's Support Office.

Once a communication is received, the Audit Committee will promote the measures that it deems necessary to assess the existence of sufficient grounds to begin an investigation and it may establish a prior contact with the author of the communication, if known. If there are sufficient grounds, the Audit Committee will develop all necessary investigations to become totally aware of all facts and it may request the support of the Audit Division, Risk Office, the Compliance Office or any other divisions or areas of the Bank.

Once the investigation is over, the Audit Committee shall make a report for the internal transmission of its conclusions so that the appropriate diligences may be adopted to correct the irregularity and sanction it, if need be. It must also report it to external entities whenever justified by the specific situation.

The communications received, as well as the reports derived thereof are mandatorily kept for a minimum period of five years in a durable format enabling their full and unaltered reproduction, pursuant to the provisions in article 120 of the Legal Framework for Credit Institutions and Financial Companies (RGICSF).

The confidentiality of the communications will be ensured and they cannot be used as grounds for any disciplinary, civil or criminal proceedings, or the adoption of discriminating practices forbidden by law.

In 2016 the Audit Committee received three communications but only one could be included within the scope of a participation of irregularity. The participation was adequately handled and investigated.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Individuals, boards or committees responsible for the internal audit and/or implementation of the internal control systems

The internal control system of the BCP Group is based on an appropriate control environment, a risk framework system which enables the identification, assessment, follow-up and control of the risks to which the Group is exposed, an efficient information and communication system, and an effective monitoring process that permits assuring the adequacy and efficacy of the internal control system. In this context, pursuant to the objectives defined in Banco de Portugal Notice 5/2008, Banco Comercial Português has established the risk management, compliance and internal audit functions, performed by the Risk Office, Compliance Office and Audit Division, respectively, endowing them with the technical and human resources that enable them to establish effective and efficient processes to identify, manage, control, monitor and communicate risks and mechanisms that are appropriate to the internal control, both in the Bank and in the Group.

Indeed, the heads of these Divisions are those responsible, at Group level, for the conformity of the functions of the internal control system, through which the objectives outlined in Banco de Portugal Notice 5/2008 are achieved, namely:

- Respect for all the applicable legal or regulatory provisions;
- Efficient performance of the activity; and
- The existence of complete, pertinent, reliable and timely financial and management information.

a) Risk Office

The main function of the Risk Office is to support the Board of Directors in the development and implementation of risk management and internal control processes, as described in greater detail in the chapter on Risk Management of the Annual Report 2016.

In the performance of its duties, the Risk Officer reports hierarchically to the Board of Directors and to the Executive Committee, also engaging, on a functional reporting basis, with the Committee for Risk Assessment, the Audit Committee and the Chairman of the Board of Directors.

Risk Officer: Luís Miguel Manso Correia dos Santos

b) Compliance Office

The main mission of the Compliance Office is to strive for the adoption, by all the Group's Institutions, of the internal and external rules governing their respective activity, in order to contribute to mitigate the risk of incurrence of penalties by these institutions.

While performing the duties entrusted to it by the law or other legal source or that have been attributed to it by the Bank's statutory bodies, the Compliance Office makes decisions that are binding on its receivers, aiming to ensure that the different business areas comply with the applicable regulations.

When preparing opinions and related studies at the request of the Bank's different areas and divisions, the Compliance Office identifies and assesses the various types of risks, including those in institutional processes or associated to products and services, prepares proposals for the correction of processes and risk mitigation, ensures the ongoing analysis of the general supervisory environment and, in general, provides specialised support on matters of control and compliance. The Compliance Office is also responsible for preparing and submitting a report to the management body, at least on an annual basis, identifying all cases of failure observed and the recommendations issued to correct them.

The Compliance Office intervenes and actively participates in the Employee training policy, namely through compliance training actions administered to the entire Group, the maintenance of strong knowledge on compliance issues, in particular preventing money laundering or terrorist financing (AML/CFT), and the development of a culture of internal control within the Group.

The Group Head of Compliance performs his duties in an independent, continuous and effective manner, being responsible for, namely:

- Defining the appropriate compliance tools for the communication and information process, the regulatory monitoring process, the principles of definition of policies and guidelines, in proactive and preventive action and in risk assessment, namely in the control and monitoring of the materialisation of compliance risks, prevention of money laundering and combat of the financing of terrorism, and reputation risk in all the Group's entities, aimed at the alignment of concepts, practices and objectives in these matters;
- Assuring the adoption of the policies, principles and procedures of the Compliance Office, by all the Group's international operations, with a local Compliance Officer being appointed for each operation;
- Establishing the profile of the Employees of the compliance areas of the parent company, its branches and subsidiaries;
- Coordinating, as a form of assuring legal compliance relative to money laundering and financing of terrorism, and the monitoring of the Group's branches and subsidiaries, duties which have been entrusted to two working parties: the AML Commission and the Compliance Commission.

The compliance teams allocated to the branches and subsidiaries are composed in the same way as that of the parent company and the team leader, the local Compliance Officer, is appointed by the Board of Directors, after opinion issued by the Group's Head of Compliance, to whom this Officer reports functionally.

The Group Head of Compliance reports, under the terms of the law, to the Executive Committee of the Board of Directors, through the Director responsible for this area and, functionally to the Audit Committee, according to the matters defined by the Audit Committee at any given time, forwarding reports of its activity, on a monthly basis, which enable the follow-up of compliance with the action plans that are presented annually. The Group Head of Compliance may also, and whenever necessary, issue occasional reports on relevant issues in the context of the control and monitoring of risks concerning compliance, money laundering and financing of terrorism and reputation, of each entity or of the Group.

In the performance of his duties, the Compliance Officer engages with the Board of Directors, on which it depends, as well as with the Executive Committee, Audit Committee and Committee for Risk Assessment.

Under its functional reporting, the Compliance Office sends the Chairman of the Board of Directors a quarterly Report on the main compliance risks at the Bank and Group level, disclosing, within the maximum period of two business days, any situation of detected high compliance risk and submitting, every semester, to the Board of Directors, a report with the activity undertaken, with a list of the reports that have been produced.

Group Head of Compliance: Mário António Pinho Gaspar Neves

c) Audit Division

The Audit Division is responsible for the Internal Audit function of Banco Comercial Português. This Division carries out its mission by adopting principles of internal auditing which are internationally recognised and accepted, issuing recommendations based on the outcome of the assessments made, aimed at adding value to the organisation and improving the control and quality of the Bank's operations, contributing to the achievement of its strategic interests and ensuring that:

- The risks are duly identified and managed, and the implemented controls are correct and proportional to the risks;
- The system of assessment of the Bank's capital is adequate in relation to its level of exposure to risk;
- The operations are recorded correctly and the operational, financial and managerial information is rigorous, reliable and provided in due time;
- The safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;
- The Employees perform their duties in conformity with the internal policies, rules and procedures and with the legislation and other applicable regulations;
- The resources are economically acquired, efficiently used and adequately protected;
- Legal and regulatory matters of significant impact on the organisation are recognised, clearly understood and integrated in operative processes;

- The programmes, plans and objectives defined by the management are followed;
- The different governing bodies interact in an adequate and efficient manner.

The activity of the Audit Division contributes to the pursuit of the objectives defined in Banco de Portugal Notice 5/2008 for the internal control system of institutions covered by the Legal Framework for Credit Institutions and Financial Companies, ensuring the existence of:

- An adequate control environment;
- A solid risk management system;
- An efficient information and communication system; and
- An effective monitoring process.

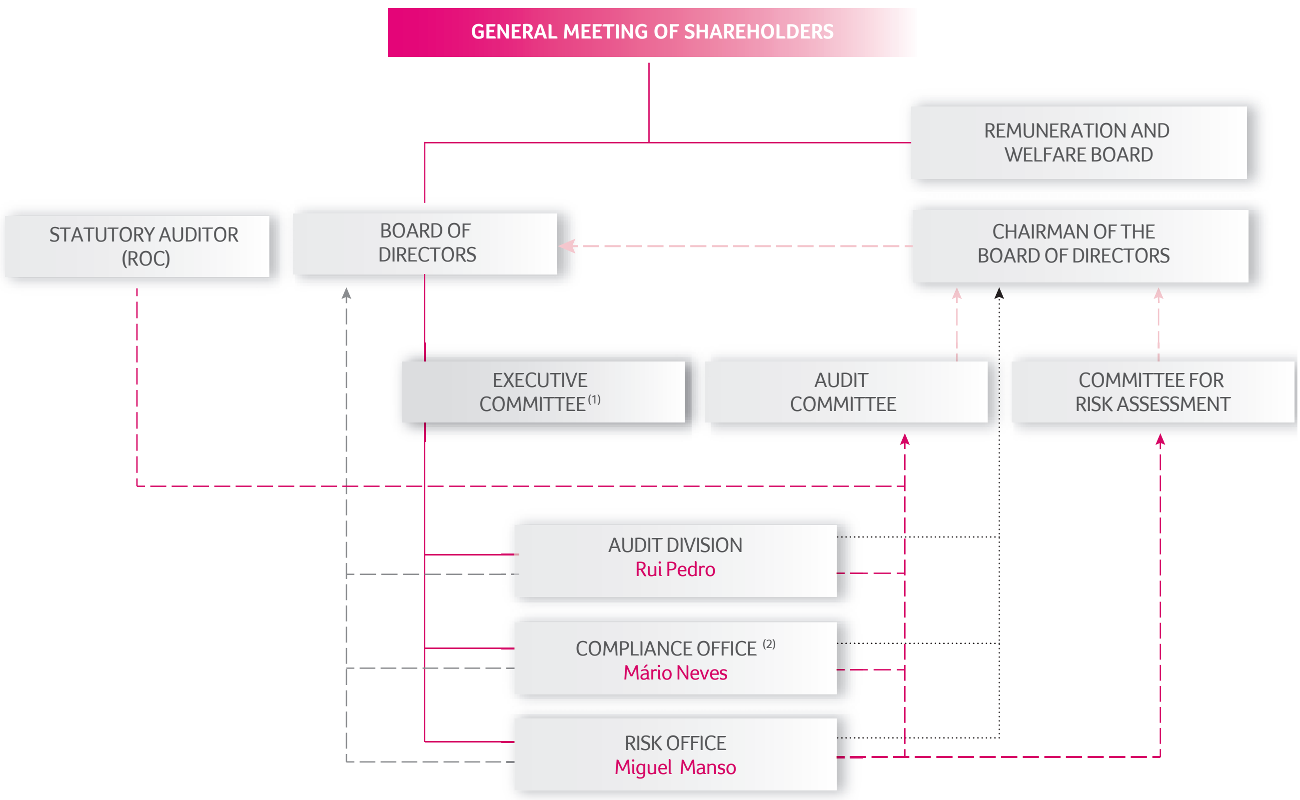
The head of the Audit Division is appointed by the Board of Directors, reporting hierarchically to the Chairman of the Executive Committee and functionally to the Board of Directors, through its Chairman, who is sent a quarterly report on the conclusions and recommendations of the reports issued during the period concerning situations of medium and high risk and a summary situation report on monitoring/assessment of the recommendations pending implementation. The Chairman of the Board of Directors is also informed, within the maximum period of two business days, of any failure reputed to be of high risk.

The Audit Division submits, to the Board of Directors, a half-year report on its activity, with a list of the reports that have been produced.

Head: Rui Manuel Pereira Pedro.

51. Details, even including organisational structure, of hierarchical and/or functional dependency in relation to other boards or committees of the company

Currently the hierarchical and/or functional dependence of the Audit Division, Compliance Office and Risk Office in relation to other corporate bodies or committees is presented in the table below:



(1) Director responsible - Nuno Amado: Audit Div.; Iglésias Soares: Compliance Office; and Miguel Pessanha: Risk Office
(2) All matters regarding professional conduct and ethical matters are reported by the Compliance Office to the Commission for Corporate Governance, Ethics and Professional Conduct.

Hierarchical report
Functional report
Functional report of the AUD and COFF (quarterly) and ROFF (monthly)
Half-yearly functional report
One-off functional report

52. Other functional areas responsible for risk control

Alongside the control areas which constitute the risks management system – the Risk Office and the Compliance Office (as defined in Chapter III of Notice 5/2008 of Banco de Portugal) – and the area with duties of assessment of the adequacy and efficacy of the internal control system – the Audit Division (as per article 22 of Chapter V of that same Notice), there is an information and communication system which supports decision-making and control processes, both at an internal and external level, for which the Accounting and Consolidation Division and the Research, Planning and Assets and Liabilities Management Division are responsible, which ensures the existence of substantive, current, timely and reliable information, enabling an overall and encompassing view of the financial situation, development of activity, compliance with the defined strategy and objectives, identification of the institution's risk profile, and performance and prospects of evolution of the markets.

The financial information and management process is assisted by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institution and its subsidiaries, in accordance with the determinations and policies issued by the Executive Committee.

Hence, the Risk Office, Compliance Office, Accounting and Consolidation Division, Research, Planning and Assets and Liabilities Management Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at a Group level, both of accounting nature and relative to support to the management and risk monitoring and control, which should cover, namely:

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

Regarding credit risk, the Credit Division also performs risk assessment and control duties pursuant to its main competences:

- Appraise and issue opinions or decisions on credit proposals submitted by the Bank's business areas, as well as credit restructuring proposals submitted by the Bank's recovery areas, pursuant to the competences defined in internal regulations;
- Monitor and follow-up of the loan portfolio of Customers managed in the commercial areas, anticipating possible situations of default and promoting restructuring solutions whenever necessary and applicable;
- Start up and/or participate in Bank-wide projects aimed at the improvement of credit and operating risk in the underlying internal processes/procedures, including opinions on products or services with credit risk;
- Follow-up and support to the implementation of probability models (default, cure and scoring) for retail and automatic processes of Customer classification, risk-taking, portfolio monitoring, collection and recovery, as well as retention of Customers in Portugal and, when requested, in the operations abroad.

The Rating Division participates in the control of risks associated to loans, where its primary responsibility is the attribution of risk levels to Companies which are Bank Customers, assuring that they are assessed on an ongoing basis in an adequate manner. In order to assure the sound pursuit of this responsibility, specialised competences in the assessment of particular segments were developed within the Rating Division, namely for the Large Corporate, Real Estate Development, Project Finance, State Business Sector and Funds segments. At the same time, the Rating Division systematically analyses the evolution of risk levels in order to assess the adequacy of the rating models used and identify matters for their fine-tuning.

53. Details and description of the major economic, financial and legal risks to which the company is exposed in pursuing its business activity

On this issue, see the information provided in the 2016 Annual Report, in the chapter on Main Risks and Uncertainties.

54. Description of the procedure for identification, assessment, monitoring, control and risk management

On this issue, see the information provided in the Annual Report 2016, in the chapter on Risk Management.

55. Core details on the internal control and risk management systems implemented in the company regarding the procedure for reporting financial information

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors acquires adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the management body of Banco Comercial Português, namely through its Executive Committee, Audit Committee and Committee for Risk Assessment:

- Defines and reviews the overall and specific objectives with respect to risk profile or level of tolerance to risk and relative to the decision levels of the functional areas where these decisions are applicable;
- Approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;
- Verifies the compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failures;

- Ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;
- Issues opinions on the reports prepared by the Risk Management and Compliance areas, namely, on the recommendations for the adoption of corrective measures;
- Ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The management body is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting. Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

Regarding the Internal Control Report stipulated in Banco de Portugal's Notice 5/2008, in CMVM's Regulation 3/2008, and in article 245-A (1) (m) of the Securities Code, the responsibilities of the Audit Committee and of the Statutory Auditor are:

- On an individual basis: issue of a detailed opinion substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Internal Control System, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of individual financial information (Financial Reporting);
- On a consolidated basis: issue of an opinion by the Group's parent company, substantiated by an autonomous report of an external auditor different from the financial auditor, contracted for the purpose on an annual basis, on the efficacy/adequacy of the Control System, which should include a reflection on the coherence of the internal control systems of the branches/subsidiaries, including those abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each branch/subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

IV. INVESTOR SUPPORT

56. Department responsible for investor assistance, composition, functions, the information made available by said department and contact details

Through the Investor Relations Division, the Bank establishes permanent dialogue with the financial world – Shareholders, Investors, Analysts and Rating Agencies, as well as with the financial markets in general and respective regulatory entities.

a) Composition of the Investor Relations Division

The Investor Relations Division is composed of a head and a staff of four employees who share the Division's tasks in order to ensure the best service in market relations.

b) Duties of the Investor Relations Division

The main duties of the Investor Relations Division are:

- Promoting comprehensive, rigorous, transparent, efficient and available relations with investors and analysts, as well as with the financial markets in general and respective regulatory entities, namely with respect to the disclosure of privileged information and mandatory information, including the coordination and preparation of the Bank's report and accounts;
- Monitoring the update of the evolution of the shareholder structure;
- Representation of the Bank in conferences and other types of events targeting investors of debt or shares;
- Collaboration with the commercial areas in the provision of institutional information and disclosure of the Group's activity;
- Management of the relations established with Rating Agencies, including the preparation and sending of relevant information on a regular basis or related to important events.

c) Type of information provided by the Investor Relations Division

During 2016, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the CMVM (Portuguese stock market regulator) and the best international practices in terms of financial and institutional communication.

For purposes of compliance with the legal and regulatory obligations in terms of reporting, the Bank discloses quarterly information on the Bank's results and activity, holding press conferences and conference calls with Analysts and Investors involving the participation of members of the Board of Directors.

It also provides the Annual Report, Interim Half-year and Quarterly Reports, and publishes all the relevant and mandatory information through CMVM's information disclosure system.

In 2016, the Bank issued over 1,000 press releases, of which 40 were related to privileged information.

The Bank participated in various events in 2016, having attended 10 conferences and 4 road shows in Europe and in the USA, where it gave institutional presentations and held one-on-one meetings with investors.

Over the course of 2016, more than 260 meetings with investors were held, which continues to show the interest of investors in the Bank.

In order to deepen its relations with its shareholder base, the Bank maintained a telephone line to support shareholders, free of charge and available from 09:00 to 19:00 on business days.

The relations with Rating Agencies consisted of the annual meetings (Moody's on 3 June, S&P on 18 April, Fitch on 13 April and 12 December and two with DBRS on 31 May), relationship meetings (Moody's on 2 June and Dagong on 24 November), 15 conference calls on results with the four rating agencies, in response to requests for quarterly information and the review of the Credit Opinions, Press Releases and Comments issued by the Rating Agencies.

All the information of relevant institutional nature disclosed to the public is available on the Bank's website, in Portuguese and English, on the page with the following address:
http://www.millenniumbcp.pt/en

d) Investor Relations Division contact information
Phone: + 351 21 113 10 84
Fax: + 351 21 113 69 82
Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B, 2740-256 Porto Salvo, Portugal
E-mail: investors@millenniumbcp.pt
The company's website: http://www.millenniumbcp.pt/en

57. Market Liaison Officer

The Bank's representative for market relations is Rui Pedro da Conceição Coimbra Fernandes, who is also Head of the Investor Relations Division.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from preceding years

During 2016, the Bank received, essentially via e-mail and telephone, a variety of requests for information from shareholders and investors. These requests were all handled and replied to, mostly within two business days. By the end of 2016, there were no outstanding requests for information relative to previous years.

V. WEBSITE

59. Address(es)

The Bank's website address is as follows:
http://www.millenniumbcp.pt/en

60. Place where information on the firm, public company status, headquarters and other details referred to in Article 171 of the Commercial Companies Code is available

The above information is available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

61. Place where the articles of association and regulations on the functioning of the boards and/or committees are available

The Bank's Articles of Association and the regulations of the governing bodies and specialised committees of the Board of Directors are available on the Bank's website at the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

62. Place where information is available on the names of the corporate boards' members, the Market Liaison Officer, the Investor Assistance Office or comparable structure, respective functions and contact details

The information on the identity of the members of the governing bodies is available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/governacao/

The information on the identity of the representative for market relations, the Investor Relations Division, respective duties and contact details are available on the Bank's website, on the page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/investidores

63. Place where the documents are available and relate to financial accounts reporting, which should be accessible for at least five years and the half-yearly calendar on company events that is published at the beginning of every six months, including, inter alia, general meetings, disclosure of annual, half-yearly and where applicable, quarterly financial statements

The information on the financial statements relative to each financial year, semester and quarter of the last five years is available on the Bank's website, on the page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/investidores

The calendar of corporate events is published at the end of every year, relative to the following year, and covers the planned dates of the General Meeting and presentation of quarterly results (to the press, analysts and investors). The publication is available on the Bank's website, on the page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/investidores

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

In addition to a specific page created every year on the portal (www.millenniumbcp.pt), another temporary page is created to support the General Meeting containing all the corresponding preparatory and subsequent information, including the call notice, which is available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

65. Place where the historical archive on the resolutions passed at the company's General Meetings, share capital and voting results relating to the preceding three years are available

The historical records, including the call notice, the share capital represented, the proposals submitted and results of the voting, relative to the previous five years are available on the Bank's website, on the page with the following address:
https://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx/

D. REMUNERATIONS

I. COMPETENCE FOR DETERMINATION

66. Details of the powers for establishing the remuneration of corporate boards, members of the executive committee or chief executive and directors of the company

The Remuneration and Welfare Board (CRP), pursuant to subparagraphs a) and b) of article 14 of the Bank's Articles of Association and under the competence delegated, for the three-year period of 2015/2017, by the General Meeting, is the competent body to determine the remuneration of the governing bodies, including the members of the Executive Committee and the terms of the supplementary pensions due to retirement, old age or invalidity of executive directors.

The Remuneration and Welfare Board, together with the Committee for Nominations and Remunerations is also competent to submit, to the Bank's General Meeting, a statement on the remuneration policy for the Bank's governing bodies.

The Board of Directors, pursuant to article 7 (2.1 q) of its Regulations and as established in article 115-C (5) of the RGICSF, has exclusive competence to approve and review the Bank's remuneration policies and practices. In this duty, it is assisted by the Committee for Nominations and Remunerations which formulates and issues informed and independent judgements on the remuneration policy and practices and on the incentives created for purposes of risk, capital and liquidity management.

Addressed to the Remuneration and Welfare Board (RWB) and the Committee for Nominations and Remunerations (CNR), KPMG conducted an independent and specific audit, carried out in abidance by the International Standard on Related Services and by Art. 8 (4) of the Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012, on the remunerations that, during 2016, were paid to members of the different governing bodies and Coordinating Managers.

In the Factual Conclusions Report issued pursuant to the validation of the remunerations established and received in 2016 by the holders of Bank's corporate offices and Coordinating Managers, KPMG concluded that the data reported to the RWB and CNR was accurate, compliant and suited to the resolutions of the corporate bodies with powers to do so.

II. REMUNERATION COMMITTEE/REMUNERATION AND WELFARE BOARD

67. Composition of the remuneration committee, including details of individuals or legal persons recruited to provide services to said committee and a statement on the independence of each member and advisor

The Remuneration and Welfare Board is composed of three to five members, appointed at the General Meeting.

The Remuneration and Welfare Board was elected at the General Meeting held on 11 May 2015 to perform duties during the three-year period of 2015/2017, and has the following composition:

Chairman:	José Gonçalo Ferreira Maury
Members:	José Guilherme Xavier de Basto
	José Luciano Vaz Marcos
	Manuel Soares Pinto Barbosa
	Bernardo de Sá Braamcamp Sobral Sottomayor (resigned from the position on 12 February 2016)

All the members of the Remuneration and Welfare Board are independent from the executive and non-executive members of the management board and are likewise independent in relation to the company as confirmed by the respective curricula attached to the present report.

The Remuneration and Welfare Board, to develop its competences in line with best international practices on remuneration matters, the Remuneration and Welfare Board engaged Mercer Portugal Lda. (Marsh Mclennan), an independent company leading worldwide in the human resources area, for the provision of specialised technical advisory services, which identified a series of guideline principles for the definition of the remuneration policy for members of the governing bodies and material risk takers, in conformity with the guidelines disclosed by the national and international regulators, in particular the EBA-European Banking Authority.

At the time of the engagement of Mercer Portugal, Lda. promoted by the Remuneration and Welfare Board, it was resolved, together with the Committee for Nominations and Remunerations, to ask this company to draw up a proposal to respond to a number of current needs arising from the early repayment of the State aid for the strengthening of own funds, namely:

- Remuneration benchmark for the executive and non-executive members of the Board of Directors;
- Update of the remuneration policy of the members of management and supervision bodies, senior staff or managers reporting directly to the Board of Directors;
- Estimation of the variable component of the remuneration within the scope of the Remuneration Policy of the executive members of the Board of Directors;
- Support to the evaluation process of the members of the management and supervision bodies.

As neither this consultant nor any of its senior staff have privileged relations with the Board of Directors or any of its members, it is deemed that its engagement for the provision of the service, with the broad scope referred to in the preceding paragraph, can in no manner affect the independence of this consultant in relation to the Bank or its Board of Directors.

68. Knowledge and experience in remuneration policy issues by members of the Remuneration Committee

The Chairman of the Remuneration and Welfare Board, José Gonçalo Ferreira Maury and the member Manuel Soares Pinto Barbosa, currently perform and have for various years performed duties in remuneration committees or equivalent bodies in other companies, which endows them with professional experience and suitable profiles concerning matters of remuneration policy, as confirmed in detail in their curricula, presented in Annex II.

III. STRUCTURE OF REMUNERATIONS

69. Description of the remuneration policy of the Board of Directors and Supervisory Boards

In line with the Bank's recapitalisation plan involving public investment, established in article 9 of Law 63 A/2008 of 24 November, Banco Comercial Português is bound, during the entire public investment period, by article 12 of Ordinance 150-A/2012 of 17 May, therefore, and regardless of the remuneration policy for its management bodies approved by the General Meeting held on 31 May 2012, the overall remuneration of the members of the management and supervisory bodies was stipulated at 50% of the average remuneration received by the members of these bodies in 2010 and 2011, with no variable remuneration being paid.

Consequently, and during 2016, the maximum remuneration of members of the Board of Directors is the one indicated in item 77 below.

Notwithstanding the above, the Remuneration and Welfare Board submitted to the General Meeting of 21 April 2016, with a binding character, the Remuneration Model of the Board of Directors, including the Executive Committee, transcribed below, which was approved by 99.07% of the votes cast, being the meeting attended by shareholders or their representatives holding 44.21% of the share capital.

"I. Composition of the Remuneration

a) The Board of Directors

In accordance with article 15 of the Articles of Association of BCP, the amount of the remuneration of the directors shall be set for each director individually, taking into account, notably, the medium and long-term interests of the Bank and the aim of not encouraging excessive risk-taking.

Taking into account the provisos of article 9 of Notice 10/2011 of Banco de Portugal and article 15 (1) of the BCP's Articles of Association, the non-executive members of the Board of Directors of BCP earn a fixed remuneration paid 12 times per year, the amount of which is currently determined taking into account the provisos of article 12 (2) of the Ordinance 150-A/2012. The remuneration of the non-executive members of the Board of Directors appointed by the Portuguese State was defined by the Decision 15463-A/2012, mentioned above.

The remuneration of the members of the Executive Committee may consist of a fixed and of a variable component, in accordance with article nr. 8 of the Notice 10/2011 of Banco de Portugal and with article 15 (1) of BCP's Articles of Association, considering the limitations set forth by the domestic and EU legislation:

i. Annual Fixed Remuneration

The fixed component of the remuneration of the executive members of the Board of Directors is:

Paid 14 times a year

Determined in view of the criterion established in article 12 (2) of Ordinance 150-A/2012.

ii. Variable Remuneration

In accordance with article 115-F (3) of the Legal Framework for Credit Institutions and Financial Companies, the sum of the variable parts of the remuneration of all the directors shall not exceed an amount corresponding to twice the fixed component of the remuneration of each employee.

In view of the provisos of article 12 of the Ordinance 150-A/2012, the Bank kept its decision not to pay any variable remuneration during the period of time the Bank is under the Recapitalisation Programme through state aid, which is due to end on 30 June 2017.

iii. Long-term Incentive Plan

The Remuneration and Welfare Board previously approved, for exclusive internal monitoring and follow-up purposes, a Long-Term Incentive Plan for the members of the Executive Committee of the Board of Directors targeted at the recognition of the compliance with the objectives of full payment of the funds granted under the recapitalisation programme through state aid taking into consideration the individual contribution given by each of the EC members for the fulfilment of that objective.

Within this special context, this plan is a transitory incentives plan to the extent that it was designed during the period of time the bank was under state aid and, in that sense, it is subject to the legal remuneration ceilings. Its principal objective is to foster the full payment of the funds granted by the State as fast as possible, safeguarding the Bank's financial robustness.

Therefore, this incentives transitory plan necessarily assumes, in the current context, a contingent or eventual nature since it can only be materialised after the state aid has been fully paid and the consequent cessation of the limitations that the Bank currently has in terms of the remuneration policy for the members of corporate bodies.

In due time and once the state aid is fully paid, the Remuneration and Welfare Board shall submit to the General Meeting a long-term incentives plan which is no longer conditioned by the legal requirements concerning state aids and is in line with the most appropriate and good market practices.

The experience gathered from the internal monitoring of that plan resulted in the introduction of small changes which enables the Bank to consider that the respective transitory regime now corresponds to the rules based on which the proposal for the attribution of that incentive may be, in due time, submitted to the shareholders.

The plan in question is featured by the fact that the attribution and the extension of the incentive not only depends on the state aid reimbursement calendar but also on the Bank's performance, thus bearing in mind at all times the creation of value for the shareholder.

This Long-Term Incentive Plan is disclosed as an attachment of the Statement on the Remuneration Policy, and intends to allow, in due time, the presentation to the General Meeting of Shareholders of a specific proposal for the attribution of a compensation in accordance with the conditions set forth therein.

Accordingly, such may only happen at the first general meeting of shareholders occurring after the full reimbursement of the state aid provided within the scope of the Recapitalisation Plan.

The integration of the Long-Term Incentive Plan in this document disclosing the remunerations policy shows the intention of disclosing the above mentioned remuneration criteria and not any decision of attributing incentives which will always remain dependent on the above mentioned conditions.

iv. Benefits

The existing benefits in terms of health insurance, credit card and mobile phones remain in effect, being the Executive Committee responsible for authorizing them.

The limits to the value of company vehicles, an issue that does not fall under the competence of the Remuneration and Welfare Board, shall be determined by the Executive Committee, taking into account the practice followed by other credit institutions of an equivalent size.

b) Executive Committee

The members of the Executive Committee shall not receive cash benefits that are not foreseen in this statement.

c) Non-Executive Members of the Board of Directors and supervision body

As mentioned above and taking into consideration the provisos of article 9 of the Notice nr. 10/2011 of Banco de Portugal, the members of the management body, including the members of the Audit Committee receive a fixed remuneration, paid 12 times per year which does not include any component whose value depends on the Bank's value or performance.

II. Defining the Remuneration

The allocation of the amount resulting from the application of the provisos of article 12 (2) of the Ordinance 150-A/2012 amongst each one of the management and supervision bodies as well as among each one of their members was accepted by the Remuneration and Welfare Board taking into account, particularly, the nature of the functions performed by each one of those members and the statutory competences granted to this Remuneration and Welfare Board as well as the functions of the Bank's Committee for Nominations and Remunerations.

III. Other aspects

Apart from the ones herein described, the members of the Executive Committee do not receive any additional compensations.

Considering that the remuneration of the Members of the Executive Committee is aimed at the direct compensation of the activities they carry out at the Bank directly or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration. It is the obligation and responsibility of each Executive Member of the Board of Directors to inform the Bank of any additional compensations they may have received, for the purposes of complying with the procedure established above.

The members of the Executive Committee will not enter into any hedging or risk-transfer agreements regarding any deferred remuneration components that may minimise the effects of the risk underlying the remuneration system.

No compensations and indemnities were paid or are due to members of the management body due to the end of their functions during the financial year."

70. Information on how remuneration is structured so as to enable the aligning of the interests of the members of the board of directors with the company's long-term interests and how it is based on the performance assessment and how it discourages excessive risk taking

As noted in the first paragraph of previous item 69, the items 70 to 75 are not applicable to Banco Comercial Português throughout the duration of the State intervention period.

However, due to the early repayment in full of the of the public investment to reinforce the Bank's own funds, the Bank is considering submitting to the General Meeting of Shareholders to be held on 10 May 2017, for appraisal and resolution, a remuneration policy proposal taking into consideration the characteristics, criteria and parameters of paragraphs 70 to 75 of the Corporate Governance Report Model, attached to the Regulation of CMVM nr. 4/2013 on Corporate Governance.

76. Key characteristics of the supplementary pensions or early retirement schemes for directors and state date when said schemes were approved at the general meeting, on an individual basis

The arrangement for retirement due to old age or invalidity of members of the Executive Committee is defined in article 17 of the Articles of Association, transcribed below, and in the document approved at the General Meeting held on 21 April 2016.

"1. The directors shall benefit from the social security regime applicable in each case.
2. The directors are also entitled to a supplement to the retirement or disability pensions and the Bank may enter into insurance contracts in favour of such directors.
3. At the beginning of each term of office and by agreement with each director, the insurance policy may be replaced by contributions to a pension fund of defined contributions.
4. The amount of the contributions of the Bank, within the scope of the two previous paragraphs, shall be established on a yearly basis by the Remuneration and Welfare Board.
5. The Bank shall not bear any additional expenses with the retirement and disability pensions after the termination of each director's functions.
6. The right to the supplement shall only become effective if the beneficiary retires due to old age or disability, under the terms of the applicable social security regime.
7. At the time of the retirement, the beneficiary may choose to redeem the capital.
8. In case of death before retirement, the right to receive the accrued capital shall remain effective pursuant to the applicable provisions established by the contract or by law."

No additional benefit is foreseen for directors in the event of early retirement.

IV. DISCLOSURE OF REMUNERATIONS

77. Details on the amount relating to the annual remuneration paid as a whole and individually to members of the company's board of directors, including fixed and variable remuneration and as regards the latter, reference to the different components that gave rise to same

The annual value of the remuneration earned, in an aggregated and individual form, by the members of the Company's management bodies is presented in the following table:

Members of the Board of Directors (BoD)	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A+B Remuneration of Non-Executive Directors (€)	Income tax withheld (€)	Obs.
António Vítor Martins Monteiro	Chairman of the Board of Directors	90,000.00	0.00	90,000.00	37,320.00	
Carlos José da Silva	Vice-Chairman of the Board of Directors	67,500.00	0.00	67,500.00	16,872.00	
Álvaro Roque de Pinho de Bissaia Barreto	Member of the Board of Directors	24,999.96	0.00	24,999.96	8,808.00	
André Magalhães Luís Gomes	Member of the Board of Directors	24,999.96	0.00	24,999.96	5,252.00	
António Henriques de Pinho Cardão	Member of the Board of Directors	24,999.96	0.00	24,999.96	9,732.00	Earned a retirement pension as retired employee of BCP.
António Luís Guerra Nunes Mexia	Member of the Board of Directors	0.00	0.00	0.00	0.00	Does not earn any remuneration in Group BCP.
Bernardo de Sá Bramcamp Sobral Sottomayor	Member of the Board of Directors	15,000.00	0.00	15,000.00	3,750.00	He was exonerated from the position of non-executive member of the Board of Directors following his personal request and by order of 26 February 2016 issued by the Minister of Finance.
João Bernardo Bastos Mendes Resende	Member of the Board of Directors	30,000.00	0.00	30,000.00	7,500.00	
Raquel Rute da Costa David Vunge	Member of the Board of Directors	24,999.96	0.00	24,999.96	4,248.00	
André Palma Mira David Nunes	Member of the Board of Directors	0.00	0.00	0.00	0.00	Appointed on 16-12-2016. Earned no remuneration that year.
		302,499.84	0.00	302,499.84	93,482.00	

Members of the Audit Committee	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	A+B Remuneration of the Members of the Audit Committee (€)	Income tax withheld (€)	Obs.
João Manuel Matos Loureiro	Chairman of the Audit Committee	86,250.06	0.00	86,250.06	33,317.00	
Cidália Maria da Mota Lopes	Member of the Audit Committee	35,000.04	0.00	35,000.04	9,744.00	
Jaime de Macedo Santos Bastos	Member of the Audit Committee	35,000.04	0.00	35,000.04	10,224.00	
José Rodrigues de Jesus	Member of the Audit Committee	67,500.00	0.00	67,500.00	24,192.00	Director appointed by the government for the duration of the state aid to increase own funds. Earned a remuneration from the Ocidental Group until 31-03-2016, as Member of the Audit Board.
		223,750.14	0.00	223,750.14	77,477.00	

Members of the Executive Committee (EC)	Position	A Paid Directly by BCP (€)	B Paid Through Other Companies (€)	C Paid by Group Companies pertaining to 2015 and settled in the beginning of 2016 (€)	A+B+C Remuneration of the Executive Directors set by the RWB (€)	Income tax withheld (€)	Obs.
Nuno Manuel da Silva Amado	Vice-Chairman of the BoD and Chairman of the EC	343,858.35	23,996.04	17,304.93	385,159.32	159,657.00	
Miguel Maya Dias Pinheiro	Vice-Chairman of the Executive Committee	273,603.72	21,836.19	12,687.49	308,127.40	125,753.00	
Miguel de Campos Pereira de Bragança	Vice-Chairman of the Executive Committee	259,008.66	31,971.11	17,147.63	308,127.40	112,888.00	
José Jacinto Iglésias Soares	Member of the Executive Committee	269,611.58	0.00	0.00	269,611.58	121,456.00	
José Miguel Bensliman Schorcht da Silva Pessanha	Member of the Executive Committee	269,611.58	0.00	0.00	269,611.58	124,616.00	
Maria Conceição Mota Soares de Oliveira Callé Lucas	Member of the Executive Committee	269,611.58	0.00	0.00	269,611.58	124,320.00	
Rui Manuel da Silva Teixeira	Member of the Executive Committee	236,355.70	19,540.56	13,715.32	269,611.58	107,396.00	
		1,921,661.17	97,343.90	60,855.37	2,079,860.44	876,086.00	

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or are subject to a common control

In view of the provisions in the remuneration policy for members of the Board of Directors transcribed above in item 69, which establish that the net value of the remunerations earned annually by each Executive Director, on account of duties performed in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the table above of item 77. which quantifies these deductions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

During the financial year to which this Report refers, no remuneration in the form of profit-sharing and/or payment of bonuses was paid.

80. Compensation paid or owed to former executive directors concerning contract termination during the financial year

During the financial year to which this Report refers, no indemnity was paid or owed to former directors relative to their termination of office during the year.

81. Details of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory board for the purposes of Law No. 28/2009 of 19 June

See the table of item 77.

81.1. In compliance with Banco de Portugal Notice 10/2011 of 9 January 2012, with respect to the elements of information to be disclosed in the Corporate Governance Report, Banco Comercial Português, S.A. discloses the following:

- In its remuneration policy, the Bank did not consider the variable and fixed components of remuneration, or the maximum limits for each component, or how it is subject to the payment of variable remuneration, nor the criteria underlying the attribution of this component, as a result of observing the rules on remunerative matters arising from the Recapitalisation Plan, in effect on 31 December 2016. See the information presented in the first paragraph of item 69;
- The remuneration policy hinders the creation of mechanisms which enable the members of the management body to take out remuneration insurance or other mechanisms to cover risk aimed at attenuating the effects of alignment due to the risk inherent to their remuneration modalities;
- No remuneration was paid in the form of profit-sharing and/or payment of bonuses;
- No benefit whatsoever of any non-cash nature was attributed.

82. Details of the remuneration in said year of the Chairman of the Presiding Board to the General Meeting

In defining the remuneration of the elected members of the Board of the General Meeting, the Remuneration and Welfare Board took into consideration, for the term of office that began in May 2014, the amounts paid for this position by the major listed companies based in Portugal and similar in size to BCP, having established the annual remuneration of the Chairperson of the Board of the General Meeting at 42,000 euros.

V. AGREEMENTS WITH REMUNERATIVE IMPLICATIONS

83. The envisaged contractual restraints for compensation payable for the unfair dismissal of directors and the relevance thereof to the remunerations' variable component

This issue is ruled by the provisos of article 403 (5) of the Companies Code herein transcribed: "If a dismissal is not grounded on a fair cause, the director will be entitled to a compensation for damages, in accordance with the agreement established with him/her or as generally permitted by law. That compensation cannot exceed the amount of remunerations he/she would presumably receive until the end of the period of time for which he/she was elected. "

Apart from those herein mentioned, no contractual conditions or limitations have been established for compensation payable for dismissal without fair cause.

84. Reference to the existence and description, with details of the sums involved, of agreements between the company and members of the board of directors and managers, pursuant to Article 248-B/3 of the Securities Code that envisages compensation in the event of resignation or unfair dismissal or termination of employment following a takeover bid. (Article 245-A/1/l))

There are no agreements between the Company and members of the management board, directors, pursuant to number 3 of article 248-B of the Securities Code, or any other employee who reports directly to the management which establish indemnities in the event of resignation, dismissal without fair cause or termination of employment relations following a change in the control of the company, exception made those determined by the general applicable law.

VI. PLANS FOR THE ATTRIBUTION OF SHARES OR STOCK OPTIONS

85. Details of the plan and the number of persons included therein

Regarding the issues addressed in items 85. to 88. currently there are no plans with these features; hence, this chapter VI is not applicable to the Bank.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties

The members of the governing bodies as well as the holders of qualifying stakes and entities related to them are identified and marked with special alerts in the Bank's computer records. The internal rules on granting credit foresees specific procedures for the progression of their proposal to the competent entities, in particular, their approval by the Board of Directors and the issue of a prior opinion of the Audit Committee pursuant to an opinion issued by the Audit Division relative to the compliance of the proposed transactions with the internal rules, legal and regulatory provisions, and all other applicable conditions.

Proposals relative to this particular group are submitted to the Audit Committee by the Executive Committee, which, in turn, receives the proposals from the Credit Commission.

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

There are two Credit Commissions: One appraises the core credit proposals and the other the non-core credit proposals (which are part the Portfolio of Non-Core Business and/or NPE – Non-Performing Exposure).

The Credit Commission is composed of the totality of the members of the Executive Committee and may function with a minimum of three directors. Apart from these, the Risk Officer, the Compliance Officer, the Company's Secretary, the Heads of the proponent areas, the 'Level 3' managers, the subsidiary entities' Credit Commission members (whenever there are proposals originated in those entities) and the Heads of commercial areas are also part of the Credit Commission. The Heads of the following Divisions are also members of this Commission: Credit, Specialised Monitoring, Legal Advisory and Litigation, Investment Banking, Real Estate Business, Rating, Specialised Recovery and Retail Recovery.

90. Details of transactions that were subject to control in the referred year

In 2016, the Audit Division and Audit Committee of the Board of Directors controlled proposed operations of credit and contracting of products or services relative to members of the management and supervisory bodies and shareholders with stakes greater than 2% of the Banks' share capital and entities related to them, of a total value of approximately 3,011 million euros. The indicated amount includes extensions and reviews of limits.

91. A description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the holders of qualifying holdings or entity-relationships with the former, as envisaged in Article 20 of the Securities Code

Any business to be conducted between the Company and owners of qualifying holdings or entities which are in any relationship with them, are the object of appraisal and exclusive deliberation by the Board of Directors, supported by analyses and technical opinions issued by the Audit Committee, which in turn take into account approvals given by the Credit Division, in the case of credit operations, or by the Procurement Division and/or other areas involved in the contract, in the case of contracts for the supply of products and services. All the operations, regardless of their respective amount, and according to item 10 above, require a prior opinion issued by the Audit Division in relation to the legal and regulatory compliance of the proposed operations.

II. ELEMENTS RELATIVE TO BUSINESS

92. Details of the place where the financial statements including information on business dealings with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

On this issue, see the information provided in the Annual Report for 2016, in appraisal 50 of the Notes to the Consolidated Financial Statements.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. Details of the Corporate Governance Code implemented

Pursuant to article 2 of CMVM Regulation 4/2013 and article 245-A, number 1, subparagraphs o) and p) of the Securities Code, the Bank confirms that, for the financial year to which this Report refers, it complied with the CMVM Corporate Governance Code, CMVM Regulation 4/2013, available on the CMVM's website, on the page with the following address:
http://www.cmvm.pt/

2. Analysis of compliance with the Corporate Governance Code implemented

The declaration of compliance with the recommendations of the Corporate Governance Code, which the Bank voluntarily resolved to observe, is presented in the Introduction to the present Report.

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Regarding the positions held simultaneously in other companies, in and outside the Group, and other relevant activities performed, see the table under item 26 of this Report)

NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

(Detailed curricula are available at the Bank's website, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

António Vítor Martins Monteiro

Personal data
- Date of Birth: 22 January 1944
- Nationality: Portuguese

Positions held at the Bank
- Chairman of the Board of Directors
- Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct

Direct responsibilities
- Board of Directors' Support Office
- Company Secretary's Office
- Fundação Millennium bcp
- Client Ombudsman's Office

Positions inside the Group
- Chairman of the Board of Curators of Fundação Millennium bcp
- Chairman of the International Board of Fundação Millennium bcp

Positions outside the Group
- Non-executive member of the Board of Directors of SOCO International, plc
- Chairman of the Advisory Board of the Gulbenkian Programme Partnerships for Development – Fundação Calouste Gulbenkian

Academic and specialised qualifications
- Licentiate Degree in Law from the Law School of the University of Lisbon
- Passed the admission contest for embassy attaché positions, opened on 11 September 1967

Professional experience in the last ten years relevant to the position
- 2002 to 2009 – Member of the Ambassadors Forum - Agência Portuguesa para o Investimento
- 2006 to 2009 – Ambassador of Portugal in France and Portugal's Representative to the European Space Agency (ESA)
- From 30 March 2009 to 18 April 2011 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- 2010 to 2011 – Member of the panel of the UN Secretary-General for the Referenda in Sudan
- 2011 – Member of the work team created by the Portuguese Prime-Minister for the internationalization and development of the Portuguese Economy
- From 18 April 2011 to 28 February 2012 – Chairman of the Supervisory Board and Member of the Remuneration and Welfare Board of Banco Comercial Português S.A.
- From 2012 to October 2012 – Chairman of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Chairman of the Board of Directors and Chairman of the Committee for Corporate Governance, Ethics and Professional Conduct of Banco Comercial Português, S.A.
- On 11 May 2015, the Chairman of the Board of Directors was elected for the term of office 2015/2017 – underway
- Until 28 April 2016 - Non-executive member of the Board of Directors of Banco Privado do Atlântico (Angola)

Carlos José da Silva

Personal data
- Date of Birth: 06 January 1966
- Nationality: Angolan

Positions held at the Bank
- Vice-Chairman of the Board of Directors
- Chairman of the Committee for Nominations and Remunerations

Positions inside the Group
- Member of the Board of Curators of Fundação Millennium bcp

Positions outside the Group
- Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Chairman of the Board of Directors of Banco Privado Atlântico Europa, S.A.
- Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.
- Chairman of the Board of Directors of the Angola Management School

Academic and specialised qualifications
- Licentiate Degree in Law from the Lisbon Law School

Professional experience in the last ten years relevant to the position
- Since 2006 – Founder and CEO of Banco Privado Atlântico, S.A.
- Since 2009 – Founder and CEO of Banco Privado Atlântico Europa, S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- February 2012 to October 2012 – Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- Until April 2015 – Non-Executive Vice-Chairman of Sociedade Baia de Luanda
- Until April 2015 – Chairman of the Board of Directors of Interoceânico Capital, SGPS, S.A.
- Until 15 April 2015 – Chairman of the Board of Directors of Atlântico Europa, SGPS, S.A.
- From 28 February 2012 to 11 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Committee for Nominations and Remunerations of Banco Comercial Português, S.A.
- On 11 May 2015, he was elected Vice-Chairman of the Board of Directors for the term of office 2015/2017 – underway

Álvaro Roque de Pinho de Bissaia Barreto

Personal data
- Date of Birth: 01 January 1936
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Chairman of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions outside the Group
- Chairman of the Board of Directors of Tejo Energia Prod. Dist. Energia Elect., S.A.
- Non-executive member of the Board of Directors of Nutrinveste – Soc. Gestora de Participações Sociais, S.A.
- Chairman of the Board of the General Meeting of Primedrinks, S.A.

Academic and specialized qualifications
- Licentiate degree in Civil Engineering from Instituto Superior Técnico
- Management Course (American Management Association) (1961)
- Program on Management Development (Harvard Business School) (1969)

Professional experience in the last ten years relevant to the position
- 1990/2014 – Non-executive director of MELLO – Sociedade Gestora de Participações Sociais, S.A.
- 2006/2012 – Non-executive director of SAIP – Sociedade Alentejana de Investimento e Participações, SGPS, S.A.
- 2006/2013 – Chairman of the Board of the General Meeting of Paço de Maiorca, Promoção e Gestão de Equipamentos Hoteleiros, S.A.
- 2006/2014 – Non-executive director of Beralt Tin & Wolfram (Portugal), S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Supervisory Board, Chairman of the Committee for Ethics and Professional Conduct and Member of the Committee for Risk Assessment of Banco Comercial Português, S.A.
- From 16 April 2009 to 28 February 2012 – Member of the Audit Committee of Banco Comercial Português, S.A.
- 28 February 2012 to 11 May 2015 – Member of the Board of Directors, Member of the Committee for Nominations and Remunerations, and Member of the Committee for Ethics and Professional Conduct of Banco Comercial Português, S.A.
- Member of the Senior Board of Fundação Bissaya Barreto
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

André Magalhães Luís Gomes

Personal data
- Date of Birth: 20 February 1966
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct
- Member of the Committee for Risk Assessment

Positions outside the Group
- Lawyer at Sociedade de Advogados Luíz Gomes & Associados
- Member of the Board of Directors of the Modern and Contemporary Art Foundation – Berardo Collection
- Member of the Board of Directors of Bacalhôa - Vinhos de Portugal, S.A.
- Chairman of the Board of the General Meeting of FGA Capital Instituição Financeira de Crédito, S.A.
- Chairman of the Board of the General Meeting of FGA Distribuidora Portugal, S.A.
- Chairman of the Board of the General Meeting of Fiat Group Automobiles Portugal, S.A.
- Chairman of the Board of the General Meeting of Rentipar Financeira, SGPS, S.A.
- Chairman of the Board of the General Meeting of Quinta do Carmo - Sociedade Agrícola S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, Sociedade Capital de Risco S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, SGPS, S.A.
- Chairman of the Board of the General Meeting of Equity Partners – Sociedade Capital de Risco
- Chairman of the Board of the General Meeting of Charon – Prestação de Serviços de Segurança e Vigilância , S.A.
- Chairman of the Board of the General Meeting of Ferrado Nacomporta, S.A.
- Chairman of the Board of the General Meeting of Optime Investments, Sociedade Capital de Risco, S.A.

Academic and specialized qualifications
- Licentiate Degree in Law from the Lisbon Law School

Professional experience in the last ten years relevant to the position
- From May 2005 to 29 January 2016 – Partner of Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, R.L.
- From 2009 to 28 February 2012 – Expert of the Remuneration and Welfare Board of Banco Comercial Português, S.A.
- Until 30 December 2011 – Member of the Board of Directors of Metalgest - Sociedade de Gestão, SGPS S.A.
- Until 30 December 2011 – Member of the Board of Directors – Moagens Associadas, S.A.
- Until 2011 – Manager of Bernardino Carmo & Filhos, SGPS
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Member of the Commission for Corporate Governance
- Until 28 February 2013 – Director of Discovery Portugal Real Estate Fund
- Until 9 September 2013 – Sole Director of Imobiliária de São Joaquim S.A.
- Until 6 October 2014 – Member of the Board of Directors of Atram – Sociedade Imobiliária S.A.
- Until 5 January 2015 – Manager of Brightmelody Unipessoal, Lda.
- Until 5 January 2015 – Manager of New Property – Sociedade Imobiliária, Lda.
- Until 5 January 2015 – Member of the Board of Directors of Matiz Sociedade Imobiliária, S.A.
- Until 5 January 2015 – Director of Gauluna, S.A.
- Until 5 January 2015 – Director of Dichiarato, S.A.
- Until 5 January 2015 – Director of Digiátomo – Sociedade Imobiliária, S.A.
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

André Palma Mira David Nunes

Personal data
- Date of Birth: 03 May 1973
- Place of Birth: Lisbon
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Committee for Nominations and Remunerations
- Member of the Committee for Risk Assessment

Positions outside the Group
- Partner of Raven Capital, Lda.

Academic and specialised qualifications
- Licentiate Degree in Business Management from the School of Economics and Business of Universidade Católica Portuguesa (Portuguese Catholic University)

Professional experience in the last ten years relevant to the position
- From May 2005 to November 2013 – Managing Director at UBS Investment Bank London/Madrid, Head of the Capital Markets area for Portugal

António Henriques de Pinho Cardão

Personal data
- Date of Birth: 31 May 1943
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Committee for Risk Assessment
- Member of the Committee for Nominations and Remunerations

Positions outside the Group
- Non-executive member of the Board of Directors and Member of the Audit Committee of Cimpor – Cimentos de Portugal, SGPS, S.A.
- Chairman of the Supervisory Board of Vila Galé Sociedade Empreendimentos Turísticos, S.A.
- Vice-Chairman of the Executive Management of Associação Missão Crescimento
- Chairman of the Audit Board of Associação Por Uma Democracia de Qualidade

Academic and specialized qualifications
- Licentiate Degree in Finance by Instituto Superior de Ciências Económicas e Financeiras

Professional experience in the last ten years relevant to the position
- From 2005 to 2012 – Economist, as a self-employed individual: consulting, making of economic and financial studies, evaluation of companies
- From 2006 to 2016 – Chairman of the Board of Auditors of the company Vila Galé, S.A.
- From 2009 to 2012 – Member of the Board of Auditors of companies of Group Monte & Monte and of the holding, Monte & Monte, SGPS, S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- From February 2012 to October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors, Member of the Committee for Risk Assessment, Member of the Committee for Ethics and Professional Conduct, and Member of the Committee for Nominations and Remunerations of Banco Comercial Português, S.A.
- Member of the Economists Association
- Member of the Chartered Accountants Association
- Partner at SEDES – Associação para o Desenvolvimento Económico e Social
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

António Luís Guerra Nunes Mexia

Personal data
- Date of Birth: 12 July 1957
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions outside the Group
- Chairman of the Executive Board of Directors of EDP – Energias de Portugal, S.A.
- Chairman of the Board of Directors of EDP Renováveis, S.A. (Spain)
- Member of the Board of Directors of EDP – Energias do Brasil, SA.
- Chairman of the Board of Directors of Eureletric
- Chairman of the Board of Directors of Fundação EDP

Academic and specialized qualifications
- Licentiate degree in Economics from the University of Geneva (Switzerland)
- 1982/1995 – Lecturer of the postgraduate course of European Studies at Universidade Católica and Regent at Universidade Nova and Universidade Católica

Professional experience in the last ten years relevant to the position
- From 15 January 2008 to 30 March 2009 – Member of the Supervisory Board of Banco Comercial Português, S.A., having previously been a Member of the Senior Board of the Bank
- From 30 March 2009 to 18 April 2011 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Member of the Committee for Corporate Governance of Banco Comercial Português, S.A.
- From June 2013 to May 2015 – Vice-Chairman of the Board of Directors of Eurelectric
- July 2013 – Honoris Causa Doctorate received from ISEG
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

Bernardo de Sá Braamcamp Sobral Sottomayor

(Following his personal request and by order of 26 February 2016 of the Minister of Finance, he was exonerated from the position of Non-executive member of the Board of Directors. He resigned from the position of Member of the Remuneration and Welfare Board on 12 February 2016)

João Bernardo Bastos Mendes Resende

(Presented his renunciation on 10 February 2017)

Lingjiang Xu

Personal data
- Date of Birth: 13 July 1971
- Nationality: Chinese

Positions held at the Bank
- Member of the Board of Directors – (waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank)

Positions outside the Group
- Non-executive member of the Board of Directors of Chiado (Luxembourg) S.à.r.l.
- Manager of the company Fosun Management (Portugal), Lda
- Non-executive member of the Board of Directors of Fidelidade – Companhia de Seguros, S.A.

Academic and specialised qualifications
- Bachelor's Degree in German from the Foreign Studies University of Beijing
- Master's Degree in World Economics from the Nan Kai University, Tianjin
- Master's Degree in Finance from the London Business School

Professional experience in the last ten years relevant to the position
- From February 2006 to January 2010 – First Secretary of the Commercial Office of the Embassy of the People s Republic of China in London
- From September 2011 to March 2012 – Director of Vermilion Partner LLP (London)
- From March 2012 to December 2013 – Partner to RH Regent Investment Management Co Ltd (Shanghai)
- From February 2015 to February 2017 – Non-Executive Director of Luz Saúde, S.A.
- From September 2015 to February 2017 – Non-executive Director of the Board of Directors of Fidelidade Assistência – Companhia de Seguros S.A.
- From September 2015 to February 2017 – Non-executive Director of Multicare – Seguros de Saúde, S.A.
- On 9 January 2017, he was co-opted by the Board of Directors of the Bank to exercise the functions of non-executive Director, until the end of the current triennial (2015/2017) (Waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank)

Raquel Rute da Costa David Vunge

Personal data
- Date of Birth: 30 June 1967
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Committee for Corporate Governance, Ethics and Professional Conduct

Positions outside the Group
- Member of the Board of Directors of Galp Energia, SGPS, S.A.
- Member of the Board of Directors of Caixa Angola

Academic and specialised qualifications
- Licentiate Degree in Management from ISG - Instituto Superior de Gestão in Lisbon

Professional experience in the last few years relevant to the position
- 2001/2010 – Head of the Central Treasury Department of Sonangol, E.P.
- 2010/2012 – Director of Finance of Sonangol, E.P.
- 2012/2013 – Executive Director and CFO of Sonangol, E.P.
- From 15 October 2014 to 11 May 2015 – Member of the Board of Directors of Banco Comercial Português, S.A.
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

MEMBERS OF THE BOARD OF DIRECTORS (MEMBERS OF THE AUDIT COMMITTEE)

(Detailed curricula are available at the Bank's website, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

João Manuel de Matos Loureiro

Personal data
- Date of Birth: 04 October 1959
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Chairman of the Audit Committee

Positions outside the Group
- Professor at the School of Economics of the University of Porto (FEP)
- Professor at Porto Business School (PBS)
- Director of the Post Graduation Degree in Company Management of Porto Business School (PBS)
- Chairman of the Board of Representatives of faculdade de Economia do Porto (FEP)

Academic and specialized qualifications
- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- PhD in Economics (majoring in International Macroeconomics and Finance) from the University of Gothenburg, Sweden

Professional experience in the last ten years relevant to the position
- From 2000 to 2008 – Head of the MBA in Finances of the School of Economics of Porto
- From 2002 to 2008 – Chairman of the Paedagogic Council of the School of Economics of Universidade do Porto
- From 2007 to 2008 – Coordinator of the Budgeting per Programmes Committee, Ministry of Finance
- In 2008 – Economic consultant for the assessment of the foreign exchange regime in Cape Verde
- From 2008 to 2011 – Member of the General Board of Porto Business School
- From 30 March 2009 to 18 April 2011 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 16 April 2009 to 28 February 2012 – Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 29 May 2009 to 28 February 2012 – Chairman of the Supervisory Board of Banco ActivoBank, S.A.
- From 22 March 2010 to 28 February 2012 – Chairman of the Audit Board of Banco BII – Banco de Investimento Imobiliário, S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Supervisory Board and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Chairman of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

Cidália Maria Mota Lopes

Personal data
- Date of Birth: 24 October 1971
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Audit Committee

Positions outside the Group
- Professor at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC), on fiscal issues
- Invited Professor at the Masters Degree in Accounting and Finance from the School of Economics of the University of Coimbra
- Invited Professor at the Masters Degree in Public Companies Administration at the School of Law of Universidade de Coimbra (FDUC)
- Member of the Scientific Board of the Portuguese Fiscal Association (AFP)
- Member of the International Fiscal Association (IFA)

Academic and specialised qualifications
- PHD in Business Management from the School of Economics of the University of Coimbra
- Masters in Economics, from the School of Economics of the University of Coimbra
- Licentiate Degree in Economics from the School of Economics of the University of Coimbra
- Post-graduate degree in Banking, Stock Exchange and Insurance Law from the Faculty of Law of the University of Coimbra
- Participation in the Advanced Programme for non-executive Directors promoted by Instituto Português de Corporate Governance

Professional experience in the last ten years relevant to the position
- 1994/2015 – Lecturer at Instituto Superior de Contabilidade e Administração de Coimbra (ISCAC), and Guest lecturer at the Faculty of Economics and Faculty of Law of the University of Coimbra
- 1999/2015 – Published books and articles on fiscal issues
- 2000/2015 – Lecturer of tax issues at the Chartered Accountants Association (OTOC)
- 2005/2006 – Member of the working party for the Simplification of the Portuguese Fiscal System of the XVII Constitutional Government
- 2008/2014 – Participated in the Tax Evasion, Tax Fraud and Tax Compliance Project: Individual, Economic and Social Factors of the SOCIUS – ISEG
- 2009 – Distinguished with the Professor Doutor António de Sousa Franco Award, by the Portuguese Association of Chartered Accountants (OTOC), for the work: "Quanto custa pagar impostos em Portugal? – Os custos de cumprimento da tributação do rendimento" (How much does it cost to pay tax in Portugal?)
- 2009/2010 – Member of the working party for Fiscal Policy, Competitiveness and Efficiency of the Fiscal System in Portugal of the XVIII Constitutional Government
- The costs of compliance with income tax) 2010/2014 – Director of Coimbra Business School
- On 11 May 2015, elected Member of the Board of Directors for the 2015/2017 term of office – underway

Jaime de Macedo Santos Bastos

Personal data
- Date of Birth: 26 November 1956
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Audit Committee

Positions outside the Group
- Statutory Auditor in several companies
- Managing Partner of the chartered accountants firm Kreston & Associados, SROC, Lda.

Academic and specialized qualifications
- Licentiate Degree in Business Administration & Management from Universidade Católica Portuguesa
- From 1986 to 1990 – Assistant lecturer at the Universidade Católica Portuguesa
- Several post-graduate degrees

Professional experience in the last ten years relevant to the position
- 2007/2012 – Member of the Board of Auditors of Cimpor – Cimentos de Portugal, SGPS, S.A.
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Member of the Audit Committee of Banco Comercial Português, S.A.
- On 11 May 2015 elected Member of the Board of Directors for the 2015/2017 term of office – underway

José Rodrigues de Jesus

Personal data
- Date of Birth: 16 October 1944
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Audit Committee

Positions outside the Group
- Member of the Board of Auditors of the following companies:
  Mota-Engil, SGPS, S.A.
  Germen – Moagem de Cereais, S.A.
  Labesfal – Laboratórios Almiro, S.A.
- Chairman of the Audit Board of Ageas Portugal – Companhia de Seguros de Vida, S.A. (previously denominated AXA Portugal, S.A.)
- Chairman of the Audit Board of Ageas Portugal – Companhia de Seguros, S.A. (previously denominated AXA Portugal, S.A.)
- Single Auditor of the following companies:
  Arlindo Soares de Pinho, Lda.
  Arsopi – Indústrias Metalúrgicas Arlindo S. Pinho, S.A.
  Arsopi – Holding, Sociedade Gestora de Participações Sociais, S.A.
  Calfor – Indústrias Metálicas, S.A.
  DIMO – Desenvolvimento Imobiliário e Construção, S.A.
  Edemi Gardens – Promoção Imobiliária, S.A.
  Camilo dos Santos Mota, S.A.
  Oliveira Dias, S.A.
  IMOAGUEDA, SGPS S.A.

Academic and specialized qualifications
- Licentiate Degree in Economics, from the Faculty of Economics of the University of Porto
- 1968/2005 – Associate lecturer at the School of Economics of Porto
- Currently, lecturer in postgraduate courses at Porto Business School

Professional experience in the last ten years relevant to the position
- From 1974 to 2012 – Economist, Consultant and Member of the Supervisory Boards of Finibanco Holding, SGPS, S.A. and Finibanco, S.A.
- From 1976 to 2012 – As Statutory Auditor, performed duties on the Supervisory Boards of various companies

EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

(Detailed curricula are available at the Bank's website, on the page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/governacao.aspx)

Nuno Manuel da Silva Amado

Personal data
- Date of Birth: 14 August 1957
- Nationality: Portuguese

Positions held at the Bank
- Vice-Chairman of the Board of Directors
- Chairman of the Executive Committee

Direct responsibilities
- Office of the Chairman of the Executive Committee
- Communications Division
- Human Resources Division
- Audit Division
- General Secretariat and Relations with External Entities

Positions inside the Group
- Member of the Board of Curators of Fundação Millennium bcp
- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group
- Vice-Chairman of the Management Board of APB – Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.
- Member of the Supervisory Board of EDP – Energias de Portugal, S.A.
- Member of the Institut International D'Etudes Bancaires
- Member of the Board of Auditors of Fundação Bial
- Chairman of the Advisory Board of Centro Hospitalar do Oeste
- Member of the General Board of Universidade de Lisboa
- Effective Member of the Plenary of the Interdisciplinary Specialised Committee for Birth-rate (CEPIN) – Conselho Económico e Social (CES)
- Effective Member of the Plenary of the Specialised Standing Committee for Regional Development and Land Planning (CDROT) of the CES - Conselho Económico e Social
- Member of the Advisory Board of do BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável, as representative of Banco Comercial Português S.A.

Academic and specialized qualifications
- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme from INSEAD, Fontainebleau

Professional experience in the last ten years relevant to the position
- From 1997 to 2006 – Member of the Executive Committee and of the Board of Directors of Banco Santander de Negócios Portugal, S.A.
- From 2005 to 2006 – Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, S.A.
- From 2005 to 2006 – Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal
- From August 2006 to January 2012 – General-Manager and Member of the Management Committee of Banco Santander Central Hispano
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A.
- From August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, SGPS, S.A.
- From 28 February 2012 to 11 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 – Vice-Chairman of the Board of Directors of Fundação Millennium bcp
- On 11 May 2015, elected Vice-Chairman of the Board of Directors and appointed Chairman of the Executive Committee for the term of office 2015/2017 – underway

Miguel Maya Dias Pinheiro

Personal data
- Date of Birth: 16 June 1964
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct responsibilities
- Credit Division
- Retail Recovery Division
- Specialised Recovery Division
- Specialised Monitoring Division
- Recovery of Small Amounts Division
- Real-Estate Business Division
- Millennium BIM (Mozambique)
- BCP Capital

Positions inside the Group
- Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, SA
- Manager of BCP África, SGPS, Lda.
- Chairman of the Board of Directors of BCP Capital – Sociedade de Capital de Risco S.A.
- Vice-Chairman of the Board of Directors and of the Remunerations Commission of BIM – Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group
- Vice-Chairman of the Board of Directors of Banco Millennium Atlântico, S.A.
- Member of the Senior Board – Alumni Clube ISCTE

Academic and specialized qualifications
- Licentiate Degree in Corporate Organisation and Management from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) – AESE
- Advanced Management Programme – INSEAD

Professional experience in the last ten years relevant to the position
- 2005/September 2007 – Managing Director of Banco Comercial Português, S.A., Member of the Retail Executive Commission
- From 2005 to September 2007 – Head of the Commercial Innovation and Promotion Department of BCP
- From 2005 to September 2007 – Member of the Executive Committee of CISP
- From February 2005 to September 2007 – Director of the company Millenniumbcp Gestão de Fundos de Investimento, S.A.
- From March 2005 to September 2007 – Chairman of the Board of Directors of Millenniumbcp Teleserviços, Serviços de Comercio Electrónico, S.A.
- From March 2005 to October 2007 – Manager of AF Internacional, SGPS, Sociedade Unipessoal, Lda.
- From August 2007 to November 2009 – Head of the Office of the Chairman of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 11 November 2009 to 18 April 2011 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From December 2009 to May 2011 – Chairman of the Board of Directors of Banco ActivoBank, S.A.
- From 18 April 2011 to 28 February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- From March to June 2012 – Chairman of the Board of Directors of Banco Investimento Imobiliário, S.A.
- From 15 June 2012 to 16 June 2015 – Member of the Supervisory Board of Portugal Capital Ventures - Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.
- On 11 May 2015, elected Member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office – underway

Miguel de Campos Pereira de Bragança

Personal data
- Date of Birth: 25 June 1966
- Place of Birth: Lisbon
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Vice-Chairman of the Executive Committee

Direct responsibilities
- International, Treasury and Markets Division
- Investor Relations Division
- Accounting and Consolidation Division
- Research, Planning and ALM Division
- Management Information Division
- Tax Advisory Division
- Bank Millennium (Poland)

Positions inside the Group
- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- Manager of Millennium bcp Participações, SGPS, Sociedade Unipessoal, Lda.
- Manager of BCP África, SGPS, Lda.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Positions outside the Group
- Manager of Quinta das Almoínhas Velhas – Imobiliária, Lda.
- Member of the Board of Fundação Casa de Bragança

Academic and specialized qualifications
- Licentiate Degree in Companies Administration & Management from Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA Programme. Award Henry Ford II attributed to the students with the highest final grade point average

Professional experience in the last ten years relevant to the position
- From 2000 to 2006 – Director, responsible for the Finance, Accountancy and Management Control, Marketing and Product areas at Banco Santander Totta and Santander Totta SGPS, S.A.
- From January 2005 to November 2006 and from April 2009 to March 2012 – Non-executive director of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
- From 2007 to 2008 – Executive Director – responsible for Products and Marketing, being also responsible, since June, for the Phone Channel, Internet and Business Banking – of Abbey National PLC (nowadays Santander UK)
- From 2008 to February 2012 – Director responsible for the Finance, Accountancy and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta SGPS, S.A.
- From 3 September 2010 to 11 February 2012 – Non-executive director of UNICRE – Instituição Financeira de Crédito, S.A.
- From 19 April 2011 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- On 11 May 2015, elected Member of the Board of Directors and appointed Vice-Chairman of the Executive Committee for the 2015/2017 term of office – underway

João Nuno de Oliveira Jorge Palma

Personal data
- Date of Birth: 16 February 1966
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors – (waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank)
- Vice-Chairman of the Executive Committee – (waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank)

Academic and specialised qualifications
- Licentiate Degree in Economics from the School of Economics of Universidade Nova de Lisboa (FEUNL)
- Postgraduate studies in Business – PDE-VII Programa de Direcção de Empresas (Companies Management Programme) from AESE – Associação de Estudos Superiores de Empresa in collaboration with IESE – Instituto de Estudos Superiores de Empresa of the University of Navarra

Professional experience in the last ten years relevant to the position
- From December 2007 to February 2008 – Advisor to the Board of Directors of CGD
- From February 2008 to March 2010 – Member of the Board of Directors (Chief Financial Officer), of Group Caixa Geral de Depósitos – (Banco Caixa Geral, Spain)
- From March 2010 to December 2011 – Member of the Executive Director – (Chief Financial Officer), of Ren – Redes Energéticas Nacionais, SGPS, S.A.
- From January 2012 to July 2013 – Non-executive Chairman of the Board of Directors of Sogrupo IV – Gestão de Imóveis, ACE
- From January 2012 to July 2013 – (non- executive) Chairman of the Board of Directors of Caixa Imobiliário, S.A.
- From January 2012 to July 2013 – (non- executive) Chairman of the Board of Directors of Imocaixa, S.A.
- From January 2012 to August 2016 – Member of the Executive Board of Directors (Chief Financial Officer) of CGD – Caixa Geral de Depósitos, S.A.
- From April 2012 to November 2013 – Non-executive Director of PT - Portugal Telecom, S.A.
- From April 2013 to August 2016 – Non-executive Director of BCI – Banco Comercial de Moçambique, S.A.
- From August 2013 to August 2016 – Non-executive Chairman of the Board of Directors of Caixa Seguros e Saúde, SGPS, S.A.
- From September 2013 to August 2016 – Non-executive Chairman of the Board of Directors of Banco Caixa Geral, S.A. (Spain)
- From January 2014 to August 2016 – Chairman of the Board of Directors of Sogrupo Compras e Serviços Partilhados, SGPS, S.A.
- From May 2014 to August 2016 – Non-executive Vice-Chairman of the Board of Directors of Cares-Companhia de Seguros, S.A.
- From May 2014 to August 2016 – Non-executive Vice-Chairman of Multicare – Seguros de Saúde, S.A.
- From May 2014 to August 2016 – Vice-Chairman of the Board of Directors of Fidelidade – Companhia de Seguros S.A.
- From May 2014 to August 2016 – Non-executive Chairman of the Board of Directors of Caixa Gestão de Activos, SGPS, S.A.
- From June 2014 to August 2016 – Non-Executive Director of Parcaixa, S.A.
- From November 2014 to August 2016 – 1st Vice-Chairman of the Board of Directors of Banco Caixa Geral Totta Angola, S.A. (later renamed Banco Caixa Geral Angola, S.A.)
- From December 2014 to August 2016 – Non-Executive Director of Partang, S.A.
- From December 2014 to August 2016 – Vice-Chairman of the Board of Directors of Banco Caixa Geral Brasil, S.A.
- On 9 January 2017, he was co-opted by the Board of Directors of the Bank to exercise the functions of executive Vice-Chairman of the Board of Directors until the end of the current term of office (2015/2017). (Waiting for the assessment of the adequacy for the exercise of functions by the European Central Bank)

José Jacinto Iglésias Soares

Personal data
- Date of Birth: 25 June 1960
- Nationality: Portuguese and Angolan

Positions held at the Bank
- Member of the Board of Directors
- Member of the Executive Committee

Direct responsibilities
- Operations Division
- IT Division
- Procurement and Logistics Division
- Legal and Litigation Advisory Division
- Compliance Office

Positions inside the Group
- Chairman of the Board of Directors of Millennium bcp – Prestação de Serviços, ACE

Positions outside the Group
- Non-executive Director of SIBS, S.G.P.S., S.A. and of SIBS Forward Payment Solutions, S.A.
- Member of the Remunerations Committee of UNICRE – Instituição Financeira de Crédito, S.A.
- Member of the General Board of AEM – Associação de Empresas Emitentes de Valores Mobiliários Cotados, representing Banco Comercial Português, S.A.
- Member of the General Board of IPCG – Instituto Português de Corporate Governance, representing Banco Comercial Português, S.A.

Academic and specialised qualifications
- Licentiate Degree in Law from the Lisbon Law School
- Monitor in the Law Faculty of Lisbon
- Post-graduation in Commercial Law and Commercial Companies from Universidade Católica de Lisboa
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE) Post-graduation in Accountancy and Finance from Universidade Católica de Lisboa

Professional experience in the last ten years relevant to the position
- From 2005 to 2007 – Director of the Legal Support Division of the Compliance Office of Banco Comercial Português, S.A.
- From 2008 to 2009 – Managing Director of the External Relations Division of Banco Privado Atlântico (Angola)
- From 2009 to 2011 Executive Director of Banco Privado Atlântico – Europa, S.A. in charge of the Compliance, Legal Advising and Internal Audit
- From 18 April 2011 to 28 February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 18 April 2011 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- On 11 May 2015, elected Member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office – underway

José Miguel Bensliman Schorcht da Silva Pessanha

Personal data
- Date of Birth: 30 July 1960
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Executive Committee

Direct responsibilities
- Risk Office
- Rating Division
- Office for the Regulatory and Supervision Monitoring
- Millennium bcp Ageas
- Office for the Validation and Monitoring of Models

Positions inside the Group
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. (formerly Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.)

Academic and specialised qualifications
- 1982 – Licentiate Degree in Economics, Universidade Católica Portuguesa
- 1984 – Masters Degree in Operational Investigation (academic portion) from Instituto Superior Técnico (Lisbon)
- 1986 – Masters Degree in Economics from Université Catholique de Louvain (Belgium)
- PADE (Corporate Senior Management Programme) at Associação de Estudos Superiores de Empresa (AESE)
- Eureko Program in INSEAD
- Invotan scholarship (NATO)
- Received a scholarship linked to the Award Joseph Bech, attributed by the Government of Luxembourg for commitment with the European Union

Professional experience in the last ten years relevant to the position
- From 2003 to 2015 – Group Risk Officer of Millennium BCP
- 2014 – Teacher responsible for the Banking in a Global Context course at Universidade Católica Portuguesa
- On 11 May 2015, elected Member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office – underway

Maria da Conceição Mota Soares de Oliveira Callé Lucas

Personal data
- Date of Birth: 24 January 1956
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Executive Committee

Direct responsibilities
- Companies and Corporate Division – North
- Companies and Corporate Division – Centre
- Companies and Corporate Division – South
- Large Corporate Division
- Companies Marketing Division
- Investment Banking Division
- Companies, Corporate, Africa and Orient Business Development
- Banco Millennium Angola

Positions inside the Group
- Manager of BCP África, SGPS, Lda.
- Member of the Board of Directors of BCP Capital – Sociedade de Capital de Risco, S.A.
- Member of the Board of Directors and of the Remunerations Commission of BIM – Banco Internacional de Moçambique, S.A.
- Member of the Board of Directors of Banque Privée BCP (Suisse), S.A.

Positions outside the Group
- Member of the Board of Directors of Banco Millennium Atlântico, S.A.

Academic and specialized qualifications
- 1978 – Licentiate degree in Business Administration from Universidade Católica Portuguesa
- 1979 – Post-graduation in Higher European Studies specialising in Economic Issues from Collège d'Europe (Bruges)
- 1980 – MSc from the London School of Economics, London University
- 1980 – Lecturer in the Management and Economics courses at the Faculty of Human Sciences, Universidade Católica Portuguesa

Professional experience in the last ten years relevant to the position
- From 2002 to 2008 – Representative – Société Générale, Portugal
- From 2008 to 2009 – Ifogest – Consultoria e Investimentos, S.A.
- From 8 October 2008 to 28 February 2012 – Director of Atlântico-Europa, SGPS, S.A.
- From 8 October 2008 to 28 February 2012 – Director of Atlântico-Europa Capital, SGPS, S.A.
- From 2009 to February 2012 – Director of Banco Privado Atlântico-Europa, S.A.
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 26 March 2012 to 30 June 2014 – Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Médis – Companhia Portuguesa de Seguros de Saúde, S.A.
- From 26 March 2012 to 30 June 2014 – Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Ocidental – Companhia Portuguesa de Seguros, S.A.
- From 26 March 2012 to 27 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Audit Board of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- From 26 March 2012 to 27 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros, S.A.
- From 26 March 2012 to 27 May 2015 – Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Pensões Gere - Sociedade Gestora de Fundos de Pensões, S.A.
- From 29 March 2012 to 19 December 2012 – Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- From 22 April to 21 May 2015 – Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- From 23 April 2012 to 28 April 2016 – Member of the Board of Directors of Banco Millennium Angola, S.A.
- From 28 June 2012 to 25 March 2013 – Member of the General Council of AEM – Associação de Empresas Emitentes de Valores Mobiliários Cotados no Mercado, in representation of Banco Comercial Português, S.A.
- On 11 May 2015, elected Member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office – underway

Rui Manuel da Silva Teixeira

Personal data
- Date of Birth: 04 September 1960
- Nationality: Portuguese

Positions held at the Bank
- Member of the Board of Directors
- Member of the Executive Committee

Direct responsibilities
- Retail Banking Division – North
- Retail Banking Division – Centre
- Retail Banking Division – South and Islands
- Retail Marketing Division
- Quality and Network Support Division
- Direct Banking Division
- Segments Management Division
- Private Banking Division
- Banque Privée BCP (Switzerland)
- Millennium bcp Bank & Trust
- ActivoBank

Positions inside the Group
- Chairman of the Board of Directors of Banco Activobank, S.A.
- Member of the Board of Directors of Millenniumbcp Ageas Grupo Segurador, SGPS, S.A.
- Member of the Board of Directors of Ocidental – Companhia Portuguesa de Seguros Vida, S.A.
- Member of the Board of Directors of Ocidental – Sociedade Gestora de Fundos de Pensões, S.A. (formerly Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.)
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.

Positions outside the Group
- Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remunerations Committee of SIBS SGPS, S.A. and SIBS Forward Payment Solutions, S.A.
- Chairman of the Board of the General Meeting of Porto Business School

Academic and specialised qualifications
- Licentiate Degree in Electronic Engineering from the Faculty of Engineering of University of Oporto
- Specialisation Course in Industrial Management from INEGI – Instituto de Engenharia Mecânica e Gestão Industrial

Professional experience in the last ten years relevant to the position
- From 2003 to 2006 – Executive Director of Bank Millennium S.A. (Poland) and Member of the Supervisory Boards of Millennium Dom Maklerski S.A., BEL Leasing Sp Zoo and FORIN Sp Zoo
- From 2006 to 2009 – Head of the IT Global Division (Group) and Member of the Coordination Committee of Banking Services
- From 2009 to 2010 – Vice-Chairman of the Executive Board of Directors of Bank Millennium S.A. (Poland), Member of the European Banking Coordination Committee and Member of the Supervisory Boards of Millennium Dom Maklerski SA, Millennium Leasing Sp Zoo and Millennium Lease Sp Zoo
- From May 2010 to April 2011 – Head of the Marketing Division, Member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project.
- From 18 April 2011 to February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- From 19 April 2011 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 28 February 2012 to 11 May 2015 – Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- From 19 December 2012 to 18 May 2015 – Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.
- On 11 May 2015, elected Member of the Board of Directors and appointed Member of the Executive Committee for the 2015/2017 term of office – underway

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

(Detailed curricula are available to the Bank's website with the Following address:
http://www.millenniumbcp/institucional/governação/

José Gonçalo Ferreira Maury

Positions held at the Bank
- Chairman of the Remuneration and Welfare Board

Academic and specialized qualifications
- Licentiate Degree in Finance from the former ISCTE/ISE, Instituto Superior de Economia in Lisbon
- MBA from INSEAD, Fontainebleau

Professional experience in the last ten years relevant to the position
- From 1990 to 2014 – Worked at Egon Zehnder International, Consultores, Lda., having co-initiated and co-led its process of creation and development in the national market. Partner of the international structure of Egon Zehnder and Managing Partner of the office in Portugal. In the international structure of Egon Zehnder, held positions related to different thematic areas, namely: Financial Services Practice Group; Consumer Practice Group; Family Advisory Business Practice Group; and Board Consulting Group.
- Since 2006 – Chairman of the Remuneration Committee of Semapa – Sociedade de Investimento e Gestão SGPS, S.A. and Secil – Companhia Geral da Cal e Cimentos, S.A.
- Since 2007 – Chairman of the Remuneration Committee of Portucel, S.A.
- Since 2014 – Member of the Remuneration Committee of CTT – Correios de Portugal, S.A.
- Since 2015 – Non-executive director and Member of the Remuneration and Nomination Committee of Gestmin SGPS, S.A., and Non-executive director of Gestmin Serviços, Lda.

José Guilherme Xavier de Basto

Positions held at the Bank
- Member of the Remuneration and Welfare Board

Academic and specialised qualifications
- Licentiate Degree in Law from the Law School of the University of Coimbra
- Additional Course of Political-Economic Sciences
- From 1961 to 1974 – Professor of Political Economics and Tax Law at the Faculty of Law of the University of Coimbra
- 1974/2004 (retirement) – Lectured on Taxation and Tax Harmonisation at the School of Economics of the University of Coimbra
- Published books and articles on taxation and fiscal law, especially concerning VAT and personal income tax

Professional experience in the last ten years relevant to the position
- Since 2007 – Non-executive director of Portugal Telecom, SGPS, S.A., being a Member of its Audit Committee
- Chairman of the Audit Board of the Portuguese Tax Association
- Chairman of the General Meeting of the Portuguese Tax Advisers Association
- Member of the Research Office of the Chartered Accountants Association
- From 1988 to 2007 – Member of the Privatisation Monitoring Commission
- From 30 March 2009 to 28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- From 16 April 2009 to 28 February 2012 – Member of the Audit Committee of Banco Comercial Português, S.A.
- From 28 February 2012 to 19 October 2012 – Member of the Board of Directors of Fundação Millennium bcp
- From 2012 to May 2015 – Member of the Board of Directors and Audit Committee of Banco Comercial Português, S.A.

José Luciano Vaz Marcos

Positions held at the Bank
- Member of the Remuneration and Welfare Board

Academic and specialized qualifications
- Licentiate Degree in Law from the Faculty of Human Sciences of Universidade Católica Portuguesa
- Lecturer in post-graduate courses in different Portuguese Universities and at conferences on urban issues, spatial planning and public contracting

Professional experience in the last ten years relevant to the position
- Partner of law firm FALM – Ferreira de Almeida, Luciano Marcos & Associados – Sociedade de Advogados, RL
- Works mainly as legal counsel in the areas of Urban and Real Estate Law, Public Contracting, Civil Law, Commercial and Tax Law
- Since 1996 – advisory services to companies in the areas of real estate, tourism, entertainment, industrial parks and urban restructuring operations, and to companies in the public contracting area
- Since 1996, has intervened frequently in tender processes for concessions, under the regime for Public Private Partnerships

Manuel Soares Pinto Barbosa

Positions held at the Bank
- Member of the Remuneration and Welfare Board

Academic and specialised qualifications
- Licentiate Degree in Finance from the Economic and Financial Sciences Institute (ISCEF) of Universidade Técnica de Lisboa
- Masters from Yale University
- Doctorate from Yale University and Aggregation from Universidade Nova de Lisboa
- Former Professor at the Faculty of Economics of Universidade Nova de Lisboa

Professional experience in the last ten years relevant to the position
- From 1994 to 2006 – Member of the Governing Board of the Luso-American Foundation
- From 2002 to 2006 – Non-executive director of Portugal Telecom – PTII
- From 2004 to 2006 – Chairman of the Board of Directors of TAP
- Since 2005 – Chairman of the Supervisory Board of TAP Portugal
- Since 2007 – Chairman of the Remuneration Committee of Cimpor
- Currently Chairman of the Board of Directors of Nova Fórum

Annual Report 2016

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Banco Comercial Português, S.A.,
Company open to public investment

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Praça D. João I, 28
4000-295 Porto

Share Capital:
5,600,738,053.72 euros

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Commercial Registry Office of Porto
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