THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of Fosun International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

FOSUN 复星

復星國際有限公司

FOSUN INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00656)

MAJOR TRANSACTION

INVESTMENT IN BANCO COMERCIAL PORTUGUÊS, S.A.

22 June 2017

CONTENTS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

"Announcements"	the announcements dated 31 July 2016, 20 November 2016, 10 January 2017, 25 January 2017 and 7 February 2017 issued by the Company in relation to the Transactions
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BCP" or "Bank"	Banco Comercial Português, S.A., a company whose shares are listed on the Euronext Lisbon with stock code: BCP
"BCP Board"	The board of directors of BCP
"BCP Group"	BCP and its subsidiaries
"BCP Shares"	the shares of BCP
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday, Sunday, or public holiday) on which banks located in Portugal, the PRC, or Hong Kong are generally open for business
"Capital Increase"	capital increase reserved solely to Fosun Industrial (or its affiliates), has been resolved by BCP Board pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, including for the maximum amount of shares at the minimum price authorized
"Chiado"	Chiado (Luxembourg) S.à r.l., a company incorporated under the laws of The Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of the Company
"Company" or "Fosun"	Fosun International Limited, a company incorporated under the laws of Hong Kong and the Shares are listed and traded on the main board of the Hong Kong Stock Exchange
"CMVM"	Comissão do Mercado de Valores Mobiliários (Portuguese Securities Market Commission)
"Deloitte Portugal"	Deloitte & Associados, SROC S.A.
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Further Acquisitions

"EUR" or "euros" or "Euro"	the single, unified, lawful currency of those member states of the European Union participating in the Economic and Monetary Union
"Euronext Lisbon"	Stock Exchange in Lisbon, Portugal. It is a part of Euronext pan-European exchange
"Fosun Holdings"	Fosun Holdings Limited
"Fosun Industrial"	Fosun Industrial Holdings Limited, a wholly-owned subsidiary of the Company
"Fosun International Holdings"	Fosun International Holdings Ltd.
"Fosun Pharma"	Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company whose A shares are listed on the Shanghai Stock Exchange with stock code 600196, and whose H shares are listed on the Hong Kong Stock Exchange with stock code 02196
"Further Acquisitions"	the increase of the Group's shareholding in the BCP's share capital up to a maximum of 30% from 16.67% through the Rights Issue Subscription, secondary market acquisitions of and further capital increases in BCP Shares after 31 December 2016
"GBP"	Pound Sterling, the official currency of the United Kingdom
"Group"	the Company and its subsidiaries (when appears in Appendix II to this circular, "the Group" refers to BCP Group)
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"KPMG Portugal"	KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
"Latest Practicable Date"	15 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Letter"	a letter dated 29 July 2016 delivered by Fosun Industrial to BCP containing a firm proposal to invest in BCP through the Capital Increase
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Material Adverse Change"	any material adverse change which would have been declared in writing by the banks appointed as the joint global coordinators as being the grounds for termination of the underwriting agreement in respect of the Rights Issue
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules
"MOU"	a legally binding Memorandum of Understandings entered into by Fosun Industrial, Chiado, and BCP on 18 November 2016 (Portugal time) in respect of Fosun Industrial's investment in the BCP Shares through Chiado
"PGA"	a Proposed Guideline of Agreement attached to the Letter setting forth the terms and conditions on which Fosun Industrial (or its affiliates) proposes to invest in BCP
"Portugal"	the Portuguese Republic
"PRC"	the People's Republic of China
"Price for Private Placement"	the price payable by Chiado for BCP Shares through the Private Placement
"Private Placement"	a private placement reserved to Chiado under the Subscription Agreement, according to which Chiado subscribed for 157,437,395 BCP Shares at EUR1.1089 per share, equivalent to approximately 16.67% share capital of BCP post-completion of the Capital Increase
"PLN"	Polish Zloty, the official currency of Poland
"RMB"	Renminbi, the lawful currency of the PRC
"Rights Issue"	the proposed issuance of 14,169,365,580 shares at the subscription price of EUR0.094 per share by BCP
"Rights Issue Subscription"	the subscription of a maximum number of 4,376,759,591 BCP Shares contemplated under the Subscription Order

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shareholder(s)"	holder(s) of the issued ordinary share(s) of the Company
"Share(s)"	the issued ordinary share(s) of the Company
"Subscription Agreement"	the subscription agreement entered into between BCP and Chiado on 18 November 2016 (Portugal time) in respect of the subscription of 157,437,395 BCP Shares
"Subscription Order"	the irrevocable anticipated subscription order issued by Chiado on 9 January 2017 (Portugal time), pursuant to which, if satisfied in full, Chiado will increase its holding in BCP's share capital up to a maximum of 30% upon completion of the Rights Issue, to be achieved through the exercise of (i) the subscription rights under the Rights Issue corresponding to the number of BCP Shares presently held by it; (ii) the oversubscription rights attached to the BCP Shares presently held by it; and (iii) any other subscription rights that may be acquired by Chiado
"Transactions"	the Rights Issue Subscription and the Private Placement
"USD"	United States dollars, the official currency of the United States of America

复星
復星國際有限公司
FOSUN INTERNATIONAL LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 00656)

Directors:
Executive Directors:
Mr. Guo Guangchang *(Chairman)*
Mr. Wang Qunbin *(Chief Executive Officer)*
Mr. Chen Qiyu *(Co-President)*
Mr. Xu Xiaoliang *(Co-President)*
Mr. Qin Xuetang
Mr. Wang Can
Ms. Kang Lan
Mr. Gong Ping

Independent Non-Executive Directors:
Mr. Zhang Shengman
Mr. Zhang Huaqiao
Mr. David T. Zhang
Mr. Yang Chao
Dr. Lee Kai-Fu

Registered address:
Room 808, ICBC Tower
3 Garden Road
Central
Hong Kong

22 June 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INVESTMENT IN BANCO COMERCIAL PORTUGUÊS, S.A.

1. INTRODUCTION

Reference is made to the Announcements whereby the Company announced that Chiado and BCP entered into the Subscription Agreement on 18 November 2016 (Portugal time) and Chiado has issued the Subscription Order on 9 January 2017 (Portugal time), pursuant to which Chiado held approximately 23.92% of the share capital of BCP through the Private Placement and the Rights Issue as at 7 February 2017 (Portugal time). The total consideration paid for the Transactions is approximately EUR549 million.

The purpose of this circular is, among other things, to provide you with more information in relation to the Transactions.

The details of the Subscription Agreement and the Subscription Order are as follows:

2. THE PGA, MOU, SUBSCRIPTION AGREEMENT AND THE SUBSCRIPTION ORDER

a. PGA

Date	29 July 2016 (Portugal time)
Parties	1. Fosun Industrial; and 2. BCP.
Investment in BCP	Fosun Industrial (or its affiliates) will subscribe in full for a capital increase reserved solely to Fosun Industrial (or its affiliates), to be resolved by the board of directors of BCP pursuant to the approval granted by BCP's shareholders in the general assembly held on 21 April 2016, including for the maximum amount of shares at the minimum price authorized. It is expected that subsequent to the Capital Increase, the shareholding of Fosun Industrial (or its affiliates) in BCP will be approximately 16.7%. In addition, Fosun Industrial is considering increasing its stake through secondary market acquisitions or future capital increases in BCP, with an aim of potentially increasing the Group's shareholding to 20% to 30% of BCP.
Total Consideration	The minimum total aggregate consideration for the Capital Increase shall be determined based on the weighted average of the BCP shares' closing price in the Euronext Lisbon in the 20 sessions prior to the date on which BCP's board of directors approves the Capital Increase. The total aggregate consideration under the PGA for any future capital increases will be determined by BCP's board of directors. The subscription price of the Capital Increase reserved to Fosun Industrial (or its affiliates) shall not be higher than EUR0.02 per share (with the adjustment resulting from reverse stock split). The total maximum consideration for the Capital Increase of EUR236 million was determined based on the maximum subscription price mentioned above. The total consideration shall be satisfied by the Group's own funds or a combination of the Group's own funds and external financing.

Conditions to closing

The completion of the Capital Increase will be subject to the satisfaction or waiver of a number of conditions customary for this type of transaction, including:

(a) Approval by the banking supervising entity of the acquisition of a qualifying holding by Fosun Industrial (or its affiliates) and completion of meetings and/or discussions with the European Commission;

(b) 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;

(c) Implementation and registration of the reverse stock split process as approved by the general assembly on 21 April 2016;

(d) The subscription price in the reserved Capital Increase not exceeding EUR0.02 per share (with the adjustment resulting from the reverse stock split);

(e) Approval by the board of directors of BCP of a proposal to be submitted to the general assembly of BCP in order to increase to 30% the limit to vote counting provided in the by-laws of BCP;

(f) Approval by the board of directors of BCP, 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 Industrial (or its affiliates) to the board of directors of BCP (who would also be members of the executive committee of BCP), with the possibility of the board of directors of BCP co-opting up to a total of at least five new members appointed by Fosun Industrial (or its affiliates) to the board of directors of BCP, in the context of, and in proportion to, the increase in the Group's shareholding in BCP;

(g) The absence of any Material Adverse Change situations affecting BCP or the Transactions.

Closing

The closing shall take place after all of the above closing conditions have been satisfied or waived.

b. MOU

Date	18 November 2016 (Portugal time)
Parties	1. Chiado; 2. Fosun Industrial; and 3. BCP.

The MOU provides for the cooptation of additional directors nominated by Chiado to the BCP Board for the current mandate ending in 2017 as follows:

(i) two additional BCP Board members, who will also be proposed to be appointed as members of the executive committee of BCP, one of which will be appointed as an additional vice-president of the executive committee of BCP; and

(ii) subject to Chiado's holding of at least 23% of the share capital of BCP, three additional non-executive directors of the BCP Board, one of which will be appointed as vice-chairman of the BCP Board, and one will be proposed to be appointed as a member of committee for nominations and remunerations of BCP.

Fosun Industrial has also expressed its conditional intention to, through future transactions (including but not limited to capital increases), increase its participation in BCP to approximately 30% of the share capital of BCP.

c. Subscription Agreement

Date	18 November 2016 (Portugal time)
Parties	1. Chiado; and 2. BCP.
Number of BCP Shares to be Acquired	157,437,395 BCP Shares, equivalent to approximately 16.67% share capital of BCP post-completion of the Private Placement.
Price for Private Placement	Chiado has agreed to subscribe for 157,437,395 shares at a subscription price of EUR1.1089 per share to be issued by BCP through the Private Placement. The total consideration is EUR174,582,327.32.
Lock-up Period	Chiado also agreed to a lock-up period of three years from the issuance date of the shares issued to it under the Private Placement.

d. The Subscription Order

Date	9 January 2017 (Portugal time)
Parties	1. Chiado; and 2. BCP.
Number of BCP Shares to be Acquired	If the Subscription Order was satisfied in full, Chiado will increase its holding in BCP's share capital up to a maximum of 30% upon completion of the Rights Issue, to be achieved through the exercise of (i) the subscription rights under the Rights Issue corresponding to the number of BCP Shares presently held by it; (ii) the oversubscription rights attached to the BCP Shares presently held by it; and (iii) any other subscription rights that may be acquired by Chiado.
Price for Private Placement	The subscription price per share of BCP is EUR0.094, which represents a discount of approximately 38.6% to the theoretical ex-rights price based on the closing price of BCP Shares on Euronext Lisbon on 9 January 2017. Accordingly, the maximum consideration for the Rights Issue Subscription is expected to be approximately EUR531 million, including the cost of any other subscription rights that may be acquired by Chiado, which shall be satisfied by the Group's funds and payable according to the timetable of the Rights Issue to be announced by BCP. Each holder of BCP Shares will receive one subscription right for each ordinary share he or she owns.
Lock-up Period	(1) a lock-up period of 3 years from 18 November 2016 of the shares obtained by Chiado in the Rights Issue through the exercise of the subscription rights attached to those shares obtained under the Subscription Agreement (i.e. excluding those BCP Shares which has been obtained by Chiado by exercising the oversubscription rights); and (2) a lock-up period of 30 days following closing of the Rights Issue of all of the BCP Shares obtained by Chiado in the Rights Issue.
Termination by Chiado	Chiado has the right to revoke the Subscription Order upon the occurrence of any Material Adverse Change.

3. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

After the completion of the Transactions, BCP is expected to become an important investment of the Group and become the comprehensive financial service platform to help the Group extend its business in Europe and Africa. The Group believes that the international comprehensive financial service business of BCP will further create synergies with the Group's capacity to combine China's growth momentum with global resources. The Group does not expect any issue arising from complying with European Union or Portuguese rules and regulations and has already received the approval from the European Central Bank in respect of the Transactions in November 2016.

In particular, the Company believes the following benefits can be achieved:

1. the audited total assets of BCP as of 31 December 2015 amounted to approximately EUR74.9 billion and the Bank has built up sound business presence in Europe and Africa. The Group plans to apply its investment capabilities and other resources to help the Bank further enhance the comprehensive financial business related to the Greater China region and also improve the profitability of the Bank;

2. the Transactions are expected to strengthen the international comprehensive financial service capability of the Group, including the international commercial banking, investment banking and private banking service capability;

3. the Transactions are expected to further strengthen the Group's financial market presence in the Portugal market; and

4. the Transactions are expected to extend the Group's international network and help the Group enter the Poland, Mozambique, Angola and Switzerland financial markets rapidly.

The Group believes that the Transactions can create synergies with its current domains and future strategies in both European and African countries under the existing BCP footprint. The Group has the following strategic development plans to leverage the comprehensive financial service platform of BCP:

1. promote cooperation between the Group's insurance platform in Bancassurance business out of Portugal, especially in Mozambique, Angola, Poland and Macau through Fidelidade, Companhia de Seguros, S.A. and BCP;

2. leverage BCP's private banking platform to expand the variety of services that could be provided to customers of the Group, which is in line with the Group's mission of "Together, We Make a Difference – enriching the health, happiness and wealth of families around the world"; and

3. utilize BCP's investment banking strength to support the Group's investments capacity in European and African countries.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and Shareholders as a whole after reviewing the operational performance, financial statements, potential risks and the historical share prices of BCP and considering the following basis of determining the subscription price per share of the Capital Increase and the subscription price of the Rights Issue Subscription:

(a) the price per share of the Capital Increase was EUR1.1089, which was equivalent to 90% of the weighted average of BCP shares' closing price in the 20 sessions of Euronext Lisbon prior to the date of signing the MOU on 18 November 2016, in accordance with the resolution passed at the general meeting of BCP; and

(b) The subscription price of the Rights Issue Subscription was EUR0.094 per share. Pursuant to and for the purposes of Article 459 of the Commercial Companies Code, Article 249(2)(b) of the Portuguese Securities Code and Articles 1(a) and 7 of the CMVM Regulation no. 5/2008, the Board of Director of BCP resolved on 9 January 2017 to increase the share capital of BCP from EUR4,268,817,689.20 to EUR5,600,738,053.72, through the issuance of 14,169,365,580 ordinary, book-entry and nominative shares of BCP at the subscription price of EUR0.094 per share. The subscription price corresponds to the issuance amount with no share premium and is with respect to the shareholders' pre-emptive rights in accordance with applicable law.

4. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at 31 December 2016, the Group held 16.67% equity interests in BCP and accounted for BCP Group as an associate using the equity method in the consolidation financial statements of the Company. Additional consideration approximating to Euro579 million will be paid if the Group increase its holding in BCP's share capital up to a maximum of 30% through Further Acquisitions.

Upon completion of the Further Acquisitions, the investment in BCP Group will be continually accounted for using the equity method.

Upon completion of the Further Acquisitions, the total assets of the Group stay the same assuming that the Group's share of the net fair value of BCP Group's identifiable assets and liabilities at the completion date approximated to the cost of the investment, since the Group settled the Further Acquisitions by its bank and cash balances.

The total liabilities of the Group remained unchanged as the Further Acquisitions was financed by internal resource only.

The net profit of the Group remained unchanged assuming that the Group's share of the net fair value of BCP Group's identifiable assets and liabilities at the completion date approximated to the cost of the investment. The excess of the Group's share of the net fair value of BCP Group's identifiable assets and liabilities at the completion date over the cost of the investment will be recognized in consolidated statement of profit or loss. The Group's financial results may be impacted by the result of the reassessment of the fair value adjustment of the identifiable assets and liabilities acquired as at the completion date and it is not available at the date of this circular.

5. INFORMATION ON THE PARTIES

The Company

The principal businesses of the Company include integrated finance (wealth) and industrial operations. The integrated finance (wealth) business includes three major segments: insurance, investment, wealth management and innovative finance; the industrial operations include four key segments: health, happiness, property development and sales, and resources.

Chiado

Chiado (Luxembourg) S.à r.l., is an indirect wholly-owned subsidiary of the Company, and principally engaged in investment holding.

BCP

BCP is a leading bank in Portugal, listed on the Euronext Lisbon (stock code: BCP). BCP is principally engaged in a wide variety of banking services and financial activities in Portugal, Poland, Mozambique, Angola and Switzerland.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, BCP and the ultimate beneficial owners of BCP are third parties independent of the Company and connected persons of the Company, and are not connected persons of the Company.

The audited net profits (both before and after taxation) of BCP for the two fiscal years immediately preceding the Transactions are as follows:

	For the year ended 31 December	
	2016	**2015**
	(audited)	(audited)
	approximately	*approximately*
	EUR million	*EUR million*
Net profit/(loss) before tax	(281)	403
Net profit/(loss) after tax	146	361

The audited total assets and net assets of BCP were approximately EUR71,265 million and EUR5,265 million, respectively, as at 31 December 2016.

6. LISTING RULES IMPLICATIONS

As the Subscription Order, the Letter, the MOU and the Subscription Agreement were entered into within a 12 month period and were all entered into with BCP, pursuant to Rule 14.22 of the Listing Rules, the Transactions are aggregated for the purpose of determining relevant percentage ratios under Rule 14.07 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Transactions exceeds 25% and is less than 100%, the Transactions constitute a major transaction of the Company and are subject to notification, announcement and shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Subscription Order and the Rights Issue Subscription, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Subscription Order and the Rights Issue Subscription. The Company has obtained a written shareholder's approval from Fosun Holdings Limited, the controlling Shareholder holding approximately 71.65% of the total issued shares of the Company as at the Latest Practicable Date, in lieu of holding a general meeting to approve the Subscription Order and the Rights Issue Subscription, in accordance with Rule 14.44 of the Listing Rules.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Fosun's development in the future is, creating a happiness ecosystem for success with the C2M business model. In 2017, Fosun will try every means to make business ecosystem deepen and flourish, that is, to grow broader, deeper and stronger. This will enable all the elements in Fosun's ecosystem of businesses to develop in synergy and achieve organic growth.

Fosun must continue to be ahead of the curve in terms of technology and business model, and must occupy high grounds in competition in fast-changing times. It must take initiatives in such areas as research and development of medicines and medical technology, innovation in retail business models, integration of financial service into more situations and more types of industries, the upgrading of various creative products, and the upgrading of Hive City. Fosun must fit product development into the company's development. Both Fosun and its subsidiaries have to increase investment in research and in creating innovative businesses. For Fosun, innovation and research is not an option, but is a must and priority. Fosun's development in the future will definitely be driven by technologies.

Fosun aspires to become the world's pioneer in Fin-Tech, building on the achievements of the giants in the past, through financial innovation in particular. Besides, Fosun will also have to lead the industry in the adoption of C2M business model which will drive the restructuring of traditional manufacturing industry and the supply chain.

8. THE GROUP'S INVOLVEMENT IN BCP'S MANAGEMENT

After the completion of the Transactions, the Group holds more than 23% of the total share capital of BCP. As such, the Group has the right to nominate two executive directors and three non-executive directors to be appointed to the board of directors of BCP. As at the Latest Practicable Date, BCP has appointed one executive director (the "**Executive Director**") and one non-executive director (the "**Non-Executive Director**") nominated by the Group to the board of directors of BCP. The Executive Director is directly responsible for the Retail Recovery Division, Small Amounts Recovery Division, International, Treasury, Market Divisions, Private Banking Division, Banque Privee BCP (Suisse) and Millennium bcp Bank & Trust of BCP. The Executive Director and Non-Executive Director appointed by the Group will discuss the strategic development of BCP with the management of BCP to ensure that the development plans are in the interest of BCP and its shareholders on the whole. The Group also reserves the right to appoint one additional executive director and two additional non-executive directors to the Board of Directors of BCP in the future.

9. WAIVERS FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) AND CHAPTER 4 OF THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on BCP prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on BCP must be prepared using accounting policies which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountants' report on BCP with the financial information of the BCP for the three financial years ended 31 December 2016 prepared under HKFRS.

Waiver Sought

The Company has applied to the Hong Kong Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

A. It would be unduly burdensome for the Company to engage professional accountants to prepare an accountants' report on BCP as required by the Listing Rules in light of the substantial time and costs required due to the following reasons:–

(a) BCP is a company organized under the laws of Portugal, and its shares are listed on Euronext Lisbon (stock code: BCP). The auditors of BCP Group are KPMG Portugal for the financial years 2014 and 2015 and Deloitte Portugal for the financial year 2016. Deloitte Portugal was appointed on 21 April 2016, with effect as from 5 May 2016. The change of auditors in 2016 was due to the auditors rotation requirement;

(b) BCP Group has 16 principal subsidiaries and/or associates in Poland, Angola, Mozambique and Switzerland. If Ernst & Young Hong Kong ("**EY Hong Kong**") were to be required to prepare an accountant's report on the BCP Group, additional time and cost is required for EY Hong Kong to collate information and liaise with the local auditors of these principal subsidiaries and/or associates and the two auditors of the BCP Group – Deloitte Portugal and KPMG Portugal, respectively. Taking into account these factors, it would be practically difficult for EY Hong Kong to audit the published financial statements for years 2014 and 2015 audited by KPMG Portugal and for year 2016 audited by Deloitte Portugal.

B. The Company is of the view that by translating and pasting the audited financial statements of the BCP Group in this circular, the Shareholders will have an informed and fair view of the historical financial information of the BCP Group, and the granting of the permission as requested by the Company would unlikely result in undue risks to the Shareholders for the following reasons:

(a) the BCP Group publishes audited financial statements on a yearly basis (including the last three financial years), and the financial statements are audited by KPMG Portugal (until 2015, inclusive) and Deloitte Portugal (Deloitte Portugal was appointed as the Bank's Statutory Auditor ("Revisor Oficial de Contas") on 21 April 2016, with effect as from 5 May 2016) and are prepared in accordance with IFRS as endorsed by the European Union, which is highly similar to the accounting standards used by the Group for its regular financial reports, the HKFRS. Such financial statements and disclosures are also subject to supervision by Euronext Lisbon and CMVM; and

(b) while KPMG Portugal and Deloitte Portugal are not registered under the Hong Kong Professional Accountants Ordinance, they are firms with international name and reputation. Both Deloitte Touche Tohmatsu Limited ("**DTTL**") and KPMG are two of the big four international professional services firms. Deloitte Portugal is the Portuguese member firm of DTTL while KPMG Portugal is the Portuguese member firm of KPMG.

C. KPMG Portugal and Deloitte Portugal are registered with Ordem dos Revisores Oficiais de Contas ("**OROC**"), the Portuguese Institute of Statutory Auditors (Registration numbers 189 and 43 respectively). OROC is a member of the International Federation of Accountants.

In addition, KPMG Portugal and Deloitte Portugal are also registered with the CMVM and Portugal is a member of The International Forum of Independent Audit Regulators (IFIAR).

D. Having discussed with BCP and reviewed the information in respect of Euronext Lisbon, the Company is of the view that Euronext Lisbon is a regularly operating and open stock exchange which offers companies listed on it, including BCP Group, adequate shareholders protection such that there would be sufficient comfort in the quality and scope of information in the public domain.

Grant of Waiver and Alternative Disclosure

On the basis above, the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rule regarding certain disclosures under Chapter 4 of the Listing Rules in this circular. The Hong Kong Stock Exchange has accepted, and the Company has included, the following information in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

A. The published audited financial statements for the two financial years ended 31 December 2015 (containing comparison figures for the financial year ended 31 December 2014) and 2016 ("**Audited Consolidated Financial Statements**") prepared under IFRS as endorsed by the European Union, were audited by KPMG Portugal (31 December 2014 and 31 December 2015) and Deloitte Portugal (31 December 2016) respectively. Each of KPMG Portugal and Deloitte Portugal had issued an unmodified opinion on the audited financial statements for the years ended 31 December 2014, 2015 and 2016;

B. A line-by-line reconciliation of the BCP Group's financial information for the differences between its accounting policies under the IFRS and the accounting policies of the Company under HKFRS, with an explanation of the differences. The auditors of the Company, EY Hong Kong would review the reconciliation in accordance with the applicable standards; and

C. Additional information which was required for an accountants' report under the Chapter 4 of the Listing Rules but not disclosed in the published accounts as mentioned above will be disclosed in this circular to bridge the gap between the abovementioned financial information of the BCP Group and an accountants' report required by the Listing Rules.

10. RECOMMENDATION

Although no general meeting will be convened for approving the Transactions, the Directors (including the independent non-executive Directors) believe that the transactions contemplated under the PGA, the MOU, the Subscription Agreement and the Subscription Order are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if the general meeting were convened for approving the Transactions, the Directors would have recommended the Shareholders to vote in favour of the Transactions.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By Order of the Board
Guo Guangchang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the information for the last three financial years ended 31 December 2016 with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group. The financial information of the Group is disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.fosun.com):

- The audited consolidated financial statements of the Group for the year ended 31 December 2016 are set out in the annual report of the Company (pages 109 – 287) published on 20 April 2017. Please also see below link to the Annual Report 2016:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0420/LTN201704201608.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2015 are set out in the annual report of the Company (pages 100 – 247) published on 28 April 2016. Please also see below link to the Annual Report 2015:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428889.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2014 are set out in the annual report of the Company (pages 91 – 247) published on 20 April 2015. Please also see below link to the Annual Report 2014:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420821.pdf

2. INDEBTEDNESS

As at the close of business on 31 May 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this indebtedness statement, the Group had an aggregate outstanding indebtedness of approximately RMB145,184,668,000, which was comprised of:

	As at 31 May 2017
	RMB'000
Interest-bearing bank and other borrowings:	
Bank loans	
Guaranteed	3,635,108
Secured	28,046,541
Unsecured	47,609,647
Total	79,291,296
Corporate bonds and enterprise bonds	20,603,375
Private placement notes	2,979,587
Private placement bonds	5,986,689
Senior notes	18,701,666
Medium-term notes	4,392,522
Super short-term commercial papers	4,034,612
Other borrowings, secured	5,285,420
Other borrowings, unsecured	3,344,540
Total interest-bearing bank and other borrowings	144,619,707
Convertible bonds	310,131
Finance lease payables	254,830
Total	145,184,668
Repayable:	
Within one year	47,168,341
In the second year	28,692,488
In the third to fifth years, inclusive	60,182,908
Over five years	9,140,931
Total	145,184,668

As at the close of business on 31 May 2017, some of the Group's bank loans were secured by the pledge of some of the Group's buildings, construction in progress, investment properties, prepaid land lease payments, properties under development, completed properties for sale, bank balances, trade and notes receivables, finance lease receivables, equity investment at fair value through profit or loss, investments in associates, an investment in a joint venture, investments in available-for-sale entities and investment in subsidiaries.

Contingent Liabilities:

As at the close of business on 31 May 2017, the Group had the following contingent liabilities:

	As at 31 May 2017
	RMB'000
Guaranteed bank loans of:	
Related parties	2,837,749
Third parties	87,071
Qualified buyers' mortgage loans	2,878,019
Guaranteed loans related to tourism	763,862
	6,566,701

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2017, the Group did not have any outstanding debts securities, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptances credits, material hire purchase commitments, mortgages or charges, which were either guaranteed, unguaranteed, secured or unsecured.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 May 2017.

3. WORKING CAPITAL

Taking into account the existing cash and bank balances, the present internal resources and the available banking facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the working capital of the Group is sufficient for at least twelve months from the date of this circular.

(A) CONSOLIDATED FINANCIAL STATEMENTS AND INDIVIDUAL FINANCIAL STATEMENTS OF BCP GROUP

(I) ACCOUNTS AND NOTES TO CONSOLIDATED ACCOUNTS FOR 2016

Consolidated Income Statements
for the years ended 31 December 2016 and 2015

	Notes	2016	2015 (restated)
		(Thousands of Euros)	
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		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

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income
for the years ended at 31 December 2016 and 2015

2016 **(Thousands of Euros)**

	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.

2015 (restated) **(Thousands of Euros)**

	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 after taxes	(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.

Consolidated Balance Sheets as at 31 December 2016 and 2015

	Notes	31 December 2016	31 December 2015
		(Thousands of Euros)	
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.

Consolidated Statements of Cash Flows
for the years ended 31 December 2016 and 2015

	2016	2015
	(Thousands of Euros)	
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)
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.

Consolidated Statements of Changes in Equity
for the years ended at 31 December 2016 and 2015

(Thousands of Euros)

	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 (note 44)	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 43)	-	-	-	-	-	12,360	-	34,468	-	46,828	-	46,828
Other reserves (note 42)	-	-	-	-	-	-	-	(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 differences 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 43)	-	-	-	-	-	(1,693)	-	1	-	(1,692)	-	(1,692)
Other reserves (note 42)	-	-	-	-	-	-	-	(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.

Notes to the Consolidated Financial Statements
31 December 2016

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 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 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 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.

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 n. º 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.

vii) 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 3 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:

	2016 Euros '000	2015 (restated) Euros '000
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 intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

In accordance with Article 67(4) of SRM Regulation and in accordance with the Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF, the ex-ante contributions are collected by national resolution authorities and transferred to the SRF by 30 June of 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:

	2016 Euros '000	2015 (restated) Euros '000
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 the End 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:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016			2015 (restated)		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 341,000of audit services.

11. Amortization of the year

The amount of this account is comprised of:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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
Other companies	(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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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
Finance leases	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:

	2016					
	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Outstanding Euros '000	Overdue loans Euros '000	Total Euros '000
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:

	2016					
	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Outstanding Euros '000	Overdue loans Euros '000	Total Euros '000
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:

	2015					
	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Outstanding Euros '000	Overdue loans Euros '000	Total Euros '000
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:

	2015					
	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Outstanding Euros '000	Overdue loans Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 Euros '000
Total loans	56,594,498	60,675,358
Loans and advances to customers with signs of impairment		
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:

	2016 Euros '000	2015 Euros '000
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.

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016			
	Trading Euros '000	Other financial assets at fair value through profit or loss Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	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:

	2015			
	Trading Euros '000	**Other financial assets at fair value through profit or loss Euros '000**	**Available for sale Euros '000**	**Total Euros '000**
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	27,573	152,018	2,804,243	2,983,834
Foreign issuers	136,339	-	2,866,542	3,002,881
Bonds issued by other entities				
Portuguese issuers	20,007	-	1,139,881	1,159,888
Foreign issuers	62,678	-	1,157,798	1,220,476
Treasury bills and other				
Government bonds	-	-	1,214,546	1,214,546
	246,597	152,018	9,183,010	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	246,597	152,018	9,178,935	9,577,550
Variable income:				
Shares in Portuguese companies	15,282	-	71,097	86,379
Shares in foreign companies	391	-	89,924	90,315
Investment fund units	1,321	-	1,439,074	1,440,395
Other securities	259	-	-	259
	17,253	-	1,600,095	1,617,348
Trading derivatives	924,955	-	-	924,955
	1,188,805	152,018	10,779,030	12,119,853
Level 1	318,315	152,018	6,949,116	7,419,449
Level 2	672,489	-	2,149,370	2,821,859
Level 3	198,001	-	1,680,544	1,878,545

The portfolio of financial assets available for sale, as at 31 December 2016, is analysed as follows:

	2016					
	Amortised cost Euros '000	**Impairment Euros '000**	**Amortised cost net of impairment Euros '000**	**Fair value reserves Euros '000**	**Fair value hedge adjustments Euros '000**	**Total Euros '000**
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	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:

	2015					
	Amortised cost Euros '000	**Impairment Euros '000**	**Amortised cost net of impairment Euros '000**	**Fair value reserves Euros '000**	**Fair value hedge adjustments Euros '000**	**Total Euros '000**
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,901,838	-	2,901,838	(116,661)	19,066	2,804,243
Foreign issuers	2,860,927	-	2,860,927	5,615	-	2,866,542
Bonds issued by other entities						
Portuguese issuers	1,178,788	(91,193)	1,087,595	48,211	-	1,135,806
Foreign issuers	1,150,464	-	1,150,464	7,334	-	1,157,798
Treasury bills and other						
Government bonds	1,214,607	(8)	1,214,599	(53)	-	1,214,546
	9,306,624	(91,201)	9,215,423	(55,554)	19,066	9,178,935
Variable income:						
Shares in Portuguese companies	151,974	(85,002)	66,972	4,125	-	71,097
Shares in foreign companies	46,645	(292)	46,353	43,571	-	89,924
Investment fund units	1,528,922	(140,928)	1,387,994	51,080	-	1,439,074
	1,727,541	(226,222)	1,501,319	98,776	-	1,600,095
	11,034,165	(317,423)	10,716,742	43,222	19,066	10,779,030

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 31 December 2016, by valuation levels, is analysed as follows:

	2016			
	Valuation techniques			
	Active market quotation	Market data	Unobservable market data	
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
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 derivatives	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:

	2015			
	Valuation techniques			
	Active market quotation	Market data	Unobservable market data	
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,966,983	-	16,851	2,983,834
Foreign issuers	2,335,453	667,428	-	3,002,881
Bonds issued by other entities				
Portuguese issuers	976,997	103,949	78,942	1,159,888
Foreign issuers	157,521	1,062,952	3	1,220,476
Treasury bills and other Government bonds	880,830	316,537	17,179	1,214,546
	7,317,784	2,150,866	112,975	9,581,625
Impairment for overdue securities	-	-	(4,075)	(4,075)
	7,317,784	2,150,866	108,900	9,577,550
Variable income:				
Shares in Portuguese companies	24,203	1,148	61,028	86,379
Shares in foreign companies	390	335	89,590	90,315
Investment fund units	200	14	1,440,181	1,440,395
Other securities	259	-	-	259
	25,052	1,497	1,590,799	1,617,348
Trading derivatives	76,613	669,496	178,846	924,955
	7,419,449	2,821,859	1,878,545	12,119,853

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 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:

	At the reclassification date		2016		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	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:

	Income statement	Changes	
	Interests Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	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:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	(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	-	-	6,419	6,419
	(12,507)	(6,336)	7,155	(11,688)

As at 31 December 2015, this reclassification is analysed as follows:

	At the reclassification date		2015		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	18,879	18,879	-
Financial assets held to maturity	2,144,892	2,144,892	236,866	230,475	(6,391)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	87,900	92,226	4,326
Financial assets held to maturity	695,020	695,020	141,061	140,072	(989)
	5,750,236	5,750,236	484,706	481,652	(3,054)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2015, related to reclassified financial assets are analysed as follows:

	Income statement	Changes	
	Interest Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	487	(1,558)	(1,071)
Financial assets held to maturity	9,140	-	9,140
From Financial assets available for sale to:			
Loans represented by securities	3,945	5	3,950
Financial assets held to maturity	3,508	252	3,760
	17,080	(1,301)	15,779

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2015, would be as follows:

	Income statement			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	(1,558)	1,613	(55)	-
Financial assets held to maturity	(53,746)	47,355	-	(6,391)
From Financial assets available for sale to:				
Loans represented by securities	-	-	4,326	4,326
Financial assets held to maturity	-	-	(989)	(989)
	(55,304)	48,968	3,282	(3,054)

The changes occurred in impairment for financial assets available for sale are analysed as follows:

	2016 Euros '000	2015 Euros '000
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:

	2016					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	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:

	2015					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,329	1,757	521,456	2,458,292	-	2,983,834
Foreign issuers	81,206	459,954	2,231,720	230,001	-	3,002,881
Bonds issued by other entities						
Portuguese issuers	11,085	1,468	642,510	500,750	4,075	1,159,888
Foreign issuers	986,517	1,272	83,651	149,033	3	1,220,476
Treasury bills and other						
Government bonds	549,975	650,457	12,436	1,678	-	1,214,546
	1,631,112	1,114,908	3,491,773	3,339,754	4,078	9,581,625
Impairment for overdue securities	-	-	-	-	(4,075)	(4,075)
	1,631,112	1,114,908	3,491,773	3,339,754	3	9,577,550
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	86,379	86,379
Foreign companies	-	-	-	-	90,315	90,315
Investment fund units	-	-	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:

	2016				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
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:

	2015				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Total Euros '000
Food, beverage and tobacco	-	-	-	3	3
Textiles	-	7,447	-	361	7,808
Wood and cork	-	-	-	998	998
Paper, printing and publishing	13,240	37	-	-	13,277
Chemicals	25,000	7	-	-	25,007
Machinery, equipment and basic metallurgical	-	7	-	-	7
Construction	-	945	-	2,539	3,484
Retail business	3,000	1,346	-	-	4,346
Wholesale business	-	852	-	176	1,028
Restaurants and hotels	-	14,293	-	-	14,293
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 (December 31, 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:

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	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	-	-
	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:

	2015					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate Derivatives:						
OTC Market:						
Forward rate agreements	-	762,213	-	762,213	106	8
Interest rate swaps	1,678,530	1,804,361	11,818,664	15,301,555	561,728	533,477
Interest rate options (purchase)	825	20,309	156,714	177,848	1,373	-
Interest rate options (sale)	1	219,709	156,714	376,424	-	596
Other interest rate contracts	299,010	125,807	121,478	546,295	44,519	48,776
	1,978,366	2,932,399	12,253,570	17,164,335	607,726	582,857
Stock Exchange transactions:						
Interest rate futures	31,022	55,112	-	86,134	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	484,876	183,025	29,811	697,712	4,560	5,982
Currency swaps	2,196,977	254,136	2,443	2,453,556	30,680	26,195
Currency options (purchase)	13,680	22,828	-	36,508	804	-
Currency options (sale)	11,344	24,586	-	35,930	-	841
	2,706,877	484,575	32,254	3,223,706	36,044	33,018
Shares/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)	-	-	2,067	2,067	-	4,500
Other shares/indexes options (purcha	-	-	-	-	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:

	2016		2015	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
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:

Hedged item	2016 Euros '000	2015 Euros '000
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:

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	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:						
Currency 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:

	2015					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	4,040	139,291	3,401,016	3,544,347	35,145	40,922
Other interest rate contracts	-	-	99,944	99,944	-	33,047
Other	150,000	-	-	150,000	170	-
	154,040	139,291	3,500,960	3,794,291	35,315	73,969
Cash flow hedging derivatives related to interest rate risk changes:						
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:

	2016 Euros '000	2015 Euros '000
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:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	agosto, 2018	4.5%	50,000	50,728	54,623
OT 2013/2017 - 1ª Serie	Mozambique	abril, 2017	7.5%	4,807	4,363	4,244
OT 2013/2017 - 3ª Serie	Mozambique	setembro, 2017	9.875%	3,320	3,414	3,414
OT 2013/2017 - 4ª Serie	Mozambique	dezembro, 2017	9.875%	1,328	1,338	1,338
OT 2014/2017 - 1ª Série	Mozambique	outubro, 2017	9.875%	3,984	3,644	3,607
OT 2014/2017 - 2ª Série	Mozambique	novembro, 2017	9.875%	3,984	3,585	3,607
OT 2014/2017 - 3ª Serie	Mozambique	dezembro, 2017	9.875%	2,656	2,593	2,587
OT 2014/2017 - 4ª Série	Mozambique	julho, 2017	9.875%	2,656	2,662	2,660
OT 2014/2017 - 5ª Série	Mozambique	agosto, 2017	10%	2,656	2,551	2,535
OT 2014/2017 - 6ª Série	Mozambique	novembro, 2017	10.75%	7,967	8,100	8,100
OT 2014/2017 - 7ª Série	Mozambique	novembro, 2017	10.25%	7,079	6,754	6,718
OT 2014/2017 - 8ª Série	Mozambique	dezembro, 2017	10.125%	2,191	2,102	2,092
OT 2015/2018 - 1ª Série	Mozambique	agosto, 2018	10%	2,698	2,346	2,326
OT 2015/2018 - 2ª Série	Mozambique	agosto, 2018	10%	12,180	10,592	10,501
OT 2015/2018 - 3ª Série	Mozambique	setembro, 2018	10%	8,128	7,069	7,008
OT 2015/2019 - 4ª Série	Mozambique	novembro, 2019	10.125%	6,195	5,141	5,104
OT 2015/2019 - 5ª Série	Mozambique	dezembro, 2019	10.5%	4,080	4,037	4,037
OT 2015/2019 - 6ª Série	Mozambique	dezembro, 2019	10.5%	26,927	23,773	23,646
OT 2016/2019 - 1ª Série	Mozambique	março, 2019	11%	4,195	3,644	3,615
OT 2016/2020 - 2ª Série	Mozambique	maio, 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	outubro, 2019	4.170%	75,000	74,578	81,582
Edia SA 07/30.01.2027	Portugal	janeiro, 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	junho, 2022	Euribor 6M+0,0069	100,000	98,709	87,636
Ayt Cedulas 07/21.03.2017	Spain	março, 2017	4.000%	50,000	51,527	51,974
Mbs Magellan M Series 1 Class A	Ireland	dezembro, 2036	Euribor 3M+0,54%	51,062	51,067	50,399
Mbs Magellan M Series 1 Class B	Ireland	dezembro, 2036	Euribor 3M+1,16%	26,300	26,310	24,339
Mbs Magellan M Series 1 Class C	Ireland	dezembro, 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:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	agosto, 2018	4.500%	50,000	50,597	56,591
OT Angola 7.5 PCT 12/15.03.2016	Angola	março, 2016	7.500%	3,825	3,929	3,969
OT Angola 7 PCT 15/15.06.2017	Angola	junho, 2017	7.000%	6,501	6,484	5,956
OT Angola 7.75 PCT 13/09.10.2017	Angola	outubro, 2017	7.500%	1,696	1,749	1,606
OT Angola 8 PCT 13/23.10.2017	Angola	outubro, 2017	7.500%	7,803	8,057	7,385
OT Angola 7.25 PCT 15/15.06.2018	Angola	junho, 2018	7.250%	6,501	6,449	5,639
OT Angola 8 PCT 13/09.10.2018	Angola	outubro, 2018	7.750%	1,696	1,762	1,551
OT Angola 8.25 PCT 13/23.10.2018	Angola	outubro, 2018	7.750%	13,568	14,115	12,412
OT Angola 7.50 PCT 15/15.06.2018	Angola	junho, 2019	7.500%	6,501	6,389	5,409
OT Angola 7.7 PCT 15/15.06.2020	Angola	junho, 2020	7.700%	6,501	6,294	5,207
OT Angola 8 PCT 15/15.06.2021	Angola	junho, 2021	8.000%	6,501	6,206	5,094
OT Angola 8.25 PCT 15/15.06.2022	Angola	junho, 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	outubro, 2019	4.170%	75,000	74,190	82,100
Edia SA 07/30.01.2027	Portugal	janeiro, 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	junho, 2022	Euribor 6M+0,0069	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	março, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	dezembro, 2036	Euribor 3M+0,54%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	dezembro, 2036	Euribor 3M+1,16%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	dezembro, 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:

	2016				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	-	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:

	2015				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	3,929	-	101,896	12,300	118,125
Bonds issued by other entities					
Portuguese issuers	-	-	74,191	137,436	211,627
Foreign issuers	-	-	51,337	113,802	165,139
	3,929	-	227,424	263,538	494,891

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016			
	Value of ownership on equity Euros '000	Goodwill Euros '000	Total Euros '000	2015 Euros '000
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:

	2016 **Euros '000**
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	
Transaction value	205,140
Banco Millennium Atlântico, S.A. equity (April 2016)	(135,540)
Goodwill arising from the merger operation	69,600
Goodwill accounted in Banco Millennium Atlântico, S.A. accounts	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:

	Country	**% held**	**Total Assets Euros '000**	**Total Liabilities Euros '000**	**Total Income Euros '000**	**Net income / (loss) for the year Euros '000**
Dec 2016 (a)						
Millenniumbcp Ageas Grupo	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)						
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, SGPS, S.A. and Banco Millennium Atlântico, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.
	2016	2015	2016
	Euros '000	Euros '000	Euros '000
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 intra-group transactions (reverse of the VOBA annual amortization (*)	12,792	13,440	
Attributable to Shareholders of the associates adjusted of intra-group 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 intra-group transactions (reverse of the VOBA total amortizations (*)	304,219	291,427	
Attributable to Shareholders of the associates adjusted of intra-group 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 in the nine month year ended 31 December 2016 and 2015 is as follows:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		Banco Millennium Atlântico, S.A.
	2016	2015	2016
	Euros '000	Euros '000	Euros '000
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 intra-group transactions.

27. Non-current assets held for sale

This balance is analysed as follows:

	2016 Euros '000	2015 Euros '000
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)
Equipment and other	(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 114º 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:

	2016 Euros '000	2015 Euros '000
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" and "Imoport - Fundo de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

The rents received 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

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	Balance on 1 January Euros '000	Acquisitions / Charge Euros '000	Disposals / Charged-off Euros '000	Transfers and changes in perimeter Euros '000	Exchange differences Euros '000	Balance on 31 December Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	Balance on 1 January Euros '000	Acquisitions / Charge Euros '000	Disposals / Charged-off Euros '000	Transfers Euros '000	Exchange differences Euros '000	Balance on 31 December Euros '000
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; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these valuations might vary with the change in economic conditions and in the market.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 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:

	2016			2015		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Deferred taxes not depending on the future profits (a)						
Impairment losses	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 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 3 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 5 years for the losses of 2012 and 2013 and 12 years for the losses of 2014, 2015 and 2016. In Poland, the term is 5 years, in Angola it is 3 years, in Mozambique it is 5 years and in Switzerland it is 7 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:

Expire date	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
Tax losses carried forward		
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:

	2016			
	Net income / (loss) for the year Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations and other variations Euros '000
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	(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 (b)	(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:

	2015 (restated)			
	Net income / (loss) for the year Euros '000	Reserves and retained earnings Euros '000	Exchange differences Euros '000	Discontinued operations and other variations Euros '000
Deferred taxes				
Deferred taxes not depending on the future profits (a)				
Impairment losses	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:

	2016 Euros '000	2015 Euros '000
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 incom	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	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:

	2016 Euros '000	2015 Euros '000
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 48)	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 5 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:

	2016 Euros '000	2015 Euros '000
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:

	2016			2015		
	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016			2015		
	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Debt securities at amortized cost					
Banco Comercial Português:					
BCP Cov Bonds jun 07/17	junho, 2007	junho, 2017	Fixed rate 4.75%	920,750	926,793
BCP Fix out 2019-Vm Sr.44	novembro, 2011	outubro, 2019	Fixed rate 6.875%	5,400	5,799
BCP Float fev 2017-Vm Sr.94-Ref.27	dezembro, 2011	fevereiro, 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	dezembro, 2011	abril, 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	dezembro, 2011	maio, 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	dezembro, 2011	julho, 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	dezembro, 2011	agosto, 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	dezembro, 2011	setembro, 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	dezembro, 2011	outubro, 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	dezembro, 2011	dezembro, 2017	Euribor 3M + 0.5%	65,900	61,379
BCP Float fev 2018-Vm 102-Ref.35	dezembro, 2011	fevereiro, 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	dezembro, 2011	março, 2018	Euribor 3M + 0.5%	49,300	45,119
BCP Float mai 2018-Vm 104-Ref.37	dezembro, 2011	maio, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.5%	38,500	34,891

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Float Jan 2019-Vm 105-Ref.38	dezembro, 2011	janeiro, 2019	Until 5Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.81%	50,000	45,098
BCP Float Feb 2019-Vm 106 Ref.39	dezembro, 2011	fevereiro, 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	dezembro, 2011	outubro, 2019	Fixed rate 6.875%	9,500	10,171
BCP Fixa out 19-Vm Sr 110	janeiro, 2012	outubro, 2019	Fixed rate 6.875%	4,000	4,269
BCP Floater jul 17-Vm Sr 122	fevereiro, 2012	julho, 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	fevereiro, 2012	novembro, 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	fevereiro, 2012	junho, 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	abril, 2012	outubro, 2019	Fixed rate 6.875%	2,000	2,102
BCP Fixa out 19-Vm Sr 193	abril, 2012	outubro, 2019	Fixed rate 6.875%	4,900	5,152
BCP 4.75 Por Cento set -Vm Sr 279	setembro, 2012	setembro, 2020	Fixed rate 4.75%	27,100	28,543
BCP 3.375 14/27.02.2017 Emtn 852	fevereiro, 2014	fevereiro, 2017	Fixed rate 3.375%	338,500	339,375
Bcp Cln Brisa Fev 2023 - Epvm Sr 23	fevereiro, 2015	fevereiro, 2023	Fixed rate 2.65% - underlying asset Brisa 022023	2,000	1,994
Bcp 4.03 Maio 2021 Epvm Sr 33	agosto, 2015	maio, 2021	Until 27 Sep 2015: Fixed rate 6.961%; after 27 Sep 2015: Fixed rate 4.03%	2,500	2,546
Bank Millennium:					
Bank Millennium - BPW_2017/01	janeiro, 2014	janeiro, 2017	Indexed to Wti Crude Oil	1,210	1,210
Bank Millennium - BPW_2017/01A	janeiro, 2014	janeiro, 2017	Indexed to Gold Fix Price	1,074	1,074
Bank Millennium - BPW_2017/02A	fevereiro, 2014	fevereiro, 2017	Indexed to FTSE 100 Index	665	665
Bank Millennium - BPW_2017/02	fevereiro, 2014	fevereiro, 2017	Indexed to Volkswagen	847	847
Bank Millennium - BPW_2017/03	março, 2014	março, 2017	Indexed to Gold Fix Price	1,171	1,171
Bank Millennium - BPW_2017/03A	março, 2014	março, 2017	Indexed to Wti Crude Oil	1,150	1,150
Bank Millennium - BKMO_280317C	março, 2014	março, 2017	Fixed rate 3.19%	113,117	113,117
Bank Millennium - BPW_2017/04	abril, 2014	abril, 2017	Indexed to BMW AG	419	419
Bank Millennium - BPW_2017/04A	abril, 2014	abril, 2017	Indexed to OBXP	855	855
Bank Millennium - BPW_2017/05	maio, 2014	maio, 2017	Indexed to Pzu PW	1,163	1,163
Bank Millennium - BPW_2017/06	junho, 2014	junho, 2017	Indexed to Gold Fix Price	895	895
Bank Millennium - BPW_2017/07	julho, 2014	julho, 2017	Indexed to General Motors Co	786	786
Bank Millennium - BPW_2017/04C	outubro, 2014	abril, 2017	Indexed to Swiss index	2,255	2,255
Bank Millennium - BPW_2017/11	novembro, 2014	novembro, 2017	Indexed to Nestle	1,233	1,233
Bank Millennium - BPW_2017/12	dezembro, 2014	dezembro, 2017	Indexed to Airbus	737	737
Bank Millennium - BPW_2018/01	janeiro, 2015	janeiro, 2018	Indexed to UPS	1,166	1,166
Bank Millennium - BPW_2018/02	fevereiro, 2015	fevereiro, 2018	Indexed to Volkswagen	1,231	1,231
Bank Millennium - BPW_2018/03	março, 2015	março, 2018	Indexed to Euro Stoxx 50	1,322	1,322
Bank Millennium - BPW_2018/04	abril, 2015	abril, 2018	Indexed to Euro Stoxx 50	2,045	2,045
Bank Millennium - BPW_2018/06	maio, 2015	junho, 2018	Indexed to Swiss index	2,317	2,317
Bank Millennium - BPW_2018/06A	junho, 2015	junho, 2018	Indexed to Ibex 35	1,910	1,910
Bank Millennium - BKMO_220618N	junho, 2015	junho, 2018	Fixed rate 3.01%	68,023	68,023
Bank Millennium - BPW_2018/07	julho, 2015	julho, 2018	Indexed a Platinum Price index	2,384	2,384
Bank Millennium - BPW_2018/08	agosto, 2015	agosto, 2018	Indexed to 4 indexes	3,375	3,375
Bank Millennium - BPW_2018/09	setembro, 2015	setembro, 2018	Indexed to 4 indexes	3,296	3,296
Bank Millennium - BPW_2018/10	outubro, 2015	outubro, 2018	Indexed to American Airlines Group	1,429	1,429
Bank Millennium - BPW_2018/11	novembro, 2015	novembro, 2018	Indexed to 4 indexes	1,905	1,905
Bank Millennium - BPW_2019/01	dezembro, 2015	janeiro, 2019	Indexed to 4 indexes	979	979
Bank Millennium - BPW_2019/01A	janeiro, 2016	janeiro, 2019	Indexed to 4 shares portfolio	885	885
Bank Millennium - BPW_2019/03	fevereiro, 2016	março, 2019	Indexed to Gold Fix Price	2,814	2,814
Bank Millennium - BPW_2019/03A	março, 2016	março, 2019	Indexed to Gold Fix Price	4,348	4,348
Bank Millennium - BPW_2019/03B	março, 2016	março, 2019	Indexed to Gold Fix Price	1,156	1,156
Millennium Leasing - G1	março, 2016	março, 2018	Fixed rate 2.97%	6,802	6,802
Millennium Leasing - G2	março, 2016	março, 2018	Fixed rate 2.97%	2,948	2,948
Bank Millennium - BPW_2019/04	abril, 2016	abril, 2019	Indexed to Gold Fix Price	3,048	3,048
Bank Millennium - BPW_2019/04A	abril, 2016	abril, 2019	Indexed to DAX index	1,119	1,119
Bank Millennium - BPW_2019/05	maio, 2016	maio, 2019	Indexed a Platinum Price index	2,903	2,903

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Millennium Leasing - G3	maio, 2016	maio, 2018	Fixed rate 2.97%	7,936	7,936
Bank Millennium - BPW_2019/06A	junho, 2016	junho, 2019	Indexed to portfolio of 5 shares	2,947	2,947
Millennium Leasing - G4	junho, 2016	maio, 2018	Fixed rate 2.98%	4,535	4,535
Bank Millennium - BPW_2019/07	julho, 2016	julho, 2019	Indexed to Gold Fix Price	2,608	2,608
Bank Millennium - BPW_2019/08	agosto, 2016	agosto, 2019	Indexed to Silver Fix Price	1,694	1,694
Bank Millennium - BPW_2019/09	setembro, 2016	setembro, 2019	Indexed to Gold Fix Price	1,941	1,941
Bank Millennium - BKMO190617S	setembro, 2016	junho, 2017	Fixed rate 1.97%	6,740	6,740
Millennium Leasing - G5	setembro, 2016	setembro, 2018	Fixed rate 2.91%	5,895	5,895
Millennium Leasing - F13	dezembro, 2016	março, 2017	Fixed rate 2.23%	9,274	9,274
Millennium Leasing - F14	dezembro, 2016	junho, 2017	Fixed rate 2.23%	8,276	8,276
BCP Finance Bank:					
BCP Fin.Bank - EUR 10 M	março, 2004	março, 2024	Fixed rate 5.01%	10,000	10,777
BCP Fin.Bank - EUR 100 M	janeiro, 2007	janeiro, 2017	Euribor 3M + 0.175%	50,350	50,350
BCP Finance Bank - EUR 15 M	julho, 2009	julho, 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	outubro, 2003	julho, 2036	Euribor 3M + 0.44%	64,195	64,195
SPV Magellan No 2 - Class B Notes	outubro, 2003	julho, 2036	Euribor 3M + 1.1%	39,640	39,640
SPV Magellan No 2 - Class C Notes	outubro, 2003	julho, 2036	Euribor 3M + 2.3%	18,900	18,900
SPV Magellan No 2 - Class D Notes	outubro, 2003	julho, 2036	Euribor 3M + 1.7%	3,500	3,500
Magellan Mortgages No. 3:					
Mbs Magellan Mortgages S.3 Cl.A	junho, 2005	maio, 2058	Euribor 3M + 0.26%	272,236	252,846
Mbs Magellan Mortgages S.3 Cl.B	junho, 2005	maio, 2058	Euribor 3M + 0.38%	2,182	2,026
Mbs Magellan Mortgages S.3 Cl.C	junho, 2005	maio, 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	junho, 2010	junho, 2018	Fixed rate 4.72% underlying asset OT - 2018/06	59,100	62,410
BCP Eur Cln Port 2Emis Jun 10/18	novembro, 2010	junho, 2018	Fixed rate 4.45% underlying asset OT - 2018/06	11,550	12,549
BCP Eur Cln Portugal 10/15.06.20	novembro, 2010	junho, 2020	Fixed rate 4.8% underlying asset OT - 2020/06	30,000	33,927
BCP Eur Cln Portugal 3Rd-Emtn 840	maio, 2012	junho, 2018	Fixed rate 4.45% underlying asset OT - 2018/06	32,700	44,673
Part. Multisetorial Europ.-Emtn 850	junho, 2013	junho, 2018	Indexed to DB SALSA Sectors	3,950	4,314
Inv.Zona Euro I 22012017 Epvm Sr 4	janeiro, 2014	janeiro, 2017	Indexed to DJ EuroStoxx 50	1,150	1,080
Inv Commodities Autc Epvm 16	novembro, 2014	novembro, 2017	Indexed to S&P GSCI ER index	1,340	692
Bcp Reem Parc Eur Ind Xii 14 Epvm 18	dezembro, 2014	dezembro, 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	fevereiro, 2015	janeiro, 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

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Reemb Parc Indic Europ Ii-Epvm 2:	fevereiro, 2015	fevereiro, 2017	Until 4 May 2015: Fixed rate 1.776%;	326	323
			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%		
BCP Reemb Parc Multi Sect Iv-Epvm 25	abril, 2015	abril, 2017	Until 16 jul 2015: Fixed rate 2%;	314	301
			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%		
BCP Retor Ec Zo Eur Autoc Iv-Epvm 26	abril, 2015	abril, 2017	Indexed to DJ EuroStoxx 50	3,050	3,108
BCP Inv Cab Ba Volatil V-Epvm 28	maio, 2015	maio, 2017	Indexed to S&P Europe 350 Low Volatility	1,520	1,365
BCP Ind Setor Cup Fixo Vi-Epvm 29	junho, 2015	junho, 2018	1st year Fixed rate 9%; 2nd year and	2,810	2,649
			followings indexed to a portfolio of 3 indexes		
BCP Rend Indic Set Autoc Vii-Epvm 30	julho, 2015	julho, 2017	Indexed to a portfolio of 3 indexes	2,180	2,138
BCP Inv Eur Div Autoc. Vii-Epvm 31	julho, 2015	julho, 2018	Indexed to EuroStoxx Select Dividend 30	1,100	1,128
BCP Rend Acoes Zon Eur Autc-Epvm 32	agosto, 2015	agosto, 2018	Indexed to EuroStoxx 50 index	1,770	1,617
BCP Reem Parc Ind Setor Xi-Epvm 34	novembro, 2015	novembro, 2017	Until 12 Feb 2016: Fixed rate 1.5%;	672	640
			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%		
BCP Rend Ind Glob Autoc Xi-Epvm 36	novembro, 2015	novembro, 2017	Indexed to a portfolio of 3 indexes	1,600	1,654
BCP Inv Banc Zona Eur Xi-Epvm 37	novembro, 2015	novembro, 2019	Indexed to EuroStoxx Banks	1,000	687
BCP Inv Eur Glob Autoc Xi-Epvm 35	novembro, 2015	novembro, 2017	Indexed to Stoxx Europe 600 index	2,960	3,179
BCP Reemb Par Ind Setor Xii-Epvm 39	dezembro, 2015	dezembro, 2017	Until 11 Mar 2016: Fixed rate 1.624%;	260	246
			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%		
BCP Rend Zon Eur Autoc Xii-Epvm 38	dezembro, 2015	dezembro, 2018	Indexed to EuroStoxx 50	3,060	2,841
BCP Rend E Part Zo Eur Autoc-Epvm Sr	janeiro, 2016	janeiro, 2019	Indexed to EuroStoxx	1,730	1,593
BCP Ree Parc Eur Ind Ii Eur-Epvm Sr41	fevereiro, 2016	fevereiro, 2018	Until 4 May 2016: Fixed rate 1.752%;	268	238
			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%		
BCP Inv Eur-Ac Autoc Ii Eur-Epvm 42	fevereiro, 2016	fevereiro, 2019	Indexed to EuroStoxx	1,750	1,772
BCP Inv Acoes Zona Eur Iii-Epvm 43	março, 2016	abril, 2018	Indexed to EuroStoxx	1,700	1,834
BCP Val Ac Zon Eur Autoc V-Epvm Sr4	maio, 2016	maio, 2019	Indexed to a portfolio of 2 indexes	1,750	1,730
Acoes Z Eur Ret Trim Vi/16-Epvm Sr45	junho, 2016	junho, 2017	Indexed to EuroStoxx	2,200	2,246
Inv Set Farm Autoc Vii-Epvm Sr46	julho, 2016	julho, 2019	Indexed to EuroStoxx	1,120	1,111
Inv Euro Ac Autoc Xi Eur-Epvm47	novembro, 2016	novembro, 2018	Indexed to EuroStoxx	1,490	1,438
BCP Rend Fix Telec Autoc Xii/16-Epvm	dezembro, 2016	dezembro, 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:

	2016					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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:

	2015					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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 risks and charges are analysed as follows:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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 I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Throughout 2014 and 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 I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

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 I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As 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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Own funds value Euros '000
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 Aug 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 Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	54,521
Bcp Ob Sub 3S Apr 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 Sep 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 Dec 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 Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,730	14,541
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,485	33,235
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,650	16,417
Bcp Subordinadas Jul 20-Emtn 844	julho, 2012	julho, 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	outubro, 2011	outubro, 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 (December 31, 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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Own funds value Euros '000
Non Perpetual Bonds						
Banco Comercial Português:						
MBCP Ob Cx Sub 1 Serie 2008-2018	setembro, 2008	September, 2018 (i	See reference (viii)	52,587	52,587	18,097
MBCP Ob Cx Sub 2 Serie 2008-2018	outubro, 2008	October, 2018 (ii)	See reference (viii)	14,888	14,888	5,335
BCP Ob Sub jun 2020 - EMTN 727	junho, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	4,429
BCP Ob Sub ago 2020 - EMTN 739	agosto, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	3,077
BCP Ob Sub mar 2021 - EMTN 804	março, 2011	março, 2021	Euribor 3M + 3.75%	114,000	114,000	114,000
BCP Ob Sub abr 2021 - EMTN 809	abril, 2011	abril, 2021	Euribor 3M + 3.75%	64,100	64,100	64,100
BCP Ob Sub 3S abr 2021 - EMTN 812	abril, 2011	abril, 2021	Euribor 3M + 3.75%	35,000	35,000	35,000
BCP Sub 11/25.08.2019 - EMTN 823	agosto, 2011	agosto, 2019	Fixed rate 6.383%	7,500	8,122	5,479
BCP Subord set 2019 - EMTN 826	outubro, 2011	setembro, 2019	Fixed rate 9.31%	50,000	52,176	37,444
BCP Subord nov 2019 - EMTN 830	novembro, 2011	novembro, 2019	Fixed rate 8.519%	40,000	40,887	30,844
MBCP Subord dez 2019 - EMTN 833	dezembro, 2011	dezembro, 2019	Fixed rate 7.15%	26,600	26,527	20,970
MBCP Subord jan 2020 - EMTN 834	janeiro, 2012	janeiro, 2020	Fixed rate 7.01%	14,000	13,488	11,301
MBCP Subord fev 2020 - Vm Sr. 173	abril, 2012	fevereiro, 2020	Fixed rate 9%	23,000	22,654	19,141
BCP Subord abr 2020 - Vm Sr 187	abril, 2012	abril, 2020	Fixed rate 9.15%	51,000	50,311	43,435
BCP Subord 2 Serie abr 2020 - Vm 194	abril, 2012	abril, 2020	Fixed rate 9%	25,000	24,545	21,417
BCP Subordinadas jul 20-EMTN 844	julho, 2012	julho, 2020	Fixed rate 9%	26,250	25,140	23,654
Bank Millennium:						
MB Finance AB	dezembro, 2007	dezembro, 2017	Euribor 6M + 2%	149,916	149,916	59,133
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 295	dezembro, 2006	dezembro, 2016	See reference (xi)	71,209	71,202	13,886
BCP Fin Bank Ltd EMTN - 828	outubro, 2011	outubro, 2021	Fixed rate 13%	82,447	59,370	17,722
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	junho, 2005	maio, 2058	-	44	44	-
					849,026	548,464
Perpetual Bonds						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	junho, 2002	See reference (v)	See reference (xii)	93	68	-
TOPS BPSM 1997	dezembro, 1997	See reference (vi)	Euribor 6M + 0.9%	23,025	23,256	23,025
BCP Leasing 2001	dezembro, 2001	See reference (vii)	Euribor 3M + 2.25%	5,436	5,436	5,436
					28,760	28,461
CoCos						
BCP Coco Bonds 12/29.06.2017	dezembro, 2001	junho, 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 (December 31, 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 follows:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
Creditors:		
Suppliers	28,430	34,562
From factoring operations	13,717	12,117
Associated companies	108	120
Deposit account applications and others applications	30,132	46,317
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 3 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 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 I 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 I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled. Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the 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	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
Fosun Group - Chiado (Luxembourg) S.a.r.l.	3,615,709,715	23.92%	23.92%
Sonangol Group - Sonangol - Sociedade Nacional de Combustíveis de Angola	2,303,640,891	15.24%	15.24%
Grupo EDP - 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	

The own shares held by the companies included in the consolidation perimeter are within the limits established by the bank's by-laws and by "Código das Sociedades Comerciais".

(*) As at 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.

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:

	2016 Euros '000	2015 Euros '000
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:

	2016				
	Balance on 1 January Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
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
Other investments	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:

	2015					
	Balance on 1 January Euros '000	Transfers Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
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
Other investments	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:

	2016 Euros '000	2015 Euros '000
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:

	Balance Sheet		Income Statement	
	2016 Euros '000	2015 Euros '000	2016 Euros '000	2015 (restated) Euros '000
From continuing operations				
Bank Millennium, S.A.	785,357	754,037	79,971	59,206
BIM - Banco Internacional de Moçambique, SA (*)	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:

	Bank Millennium, S.A.		BIM - Banco Internacional de Moçambique, S.A.	
	2016 Euros '000	2015 Euros '000	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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 August 2nd 2016 another presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, this time mainly focusing on repayment part of fx spreads 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 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.

Issuer	Issue	Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	500,000,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	87,870,120
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	396,961,207.50

The process of solicitations of offers ended on 23 February 2016. There were validly tendered for purchase Euros 378,509,996.96 in principal amount outstanding of Notes (Euros 103,100,000 in respect of Senior Notes and Euros 275,409,996.96 in respect of Mortgage Backed Notes issued by Magellan Mortgages No. 2 plc e Magellan Mortgages No. 3 plc). The Bank has decided to accept for purchase Euros 85,326,455.52 (principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

Issuer	Issue	Accepted Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	85,300,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	26,455.52
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	0

The settlement date was on 26 February 2016.

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 5 new members appointed by Fosun to the Board of Directors, in the context of, and in proportion to, the increase in Fosun's shareholding in BCP;
- The absence of any material adverse change situations affecting BCP or the proposed transaction.

Recognizing the potential strategic interest of the proposal made by an international investor with Fosun's profile and with a significant presence in the Portuguese market – characteristics capable of contributing a potential for cooperation and sector and geographical development – BCP's Executive Committee decided, in accordance with their fiduciary duties, to swiftly proceed with a careful analysis of the proposal, considering the many positive aspects of the proposed operation, in order to make a decision on opening negotiations and presenting a recommendation to the Board of Directors, as soon as possible.

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 €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 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 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:

	2016				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	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:

	2015				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	1,840,317	1,840,317	1,840,317
Loans and advances to credit institutions					
Repayable on demand	-	-	776,413	776,413	776,413
Other loans and advances	-	-	921,648	921,648	923,182
Loans and advances to customers (i)	-	-	51,970,159	51,970,159	49,506,926
Financial assets held for trading	1,188,805	-	-	1,188,805	1,188,805
Other financial assets held for trading					
at fair value through profit or loss	152,018	-	-	152,018	152,018
Financial assets available for sale	-	10,779,030	-	10,779,030	10,779,030
Hedging derivatives (ii)	73,127	-	-	73,127	73,127
Held to maturity financial assets	-	-	494,891	494,891	482,825
	1,413,950	10,779,030	56,003,428	68,196,408	65,722,643
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:

	2016			
	Valorisation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
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:

	2015			
	Valorisation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Cash and deposits at Central Banks	1,840,317	-	-	1,840,317
Loans and advances to credit institutions				
Repayable on demand	776,413	-	-	776,413
Other loans and advances	-	-	923,182	923,182
Loans and advances to customers	-	-	49,506,926	49,506,926
Financial assets held for trading	318,315	672,489	198,001	1,188,805
Other financial assets held for trading				
at fair value through profit or loss	152,018	-	-	152,018
Financial assets available for sale	6,949,116	2,149,370	1,680,544	10,779,030
Hedging derivatives	-	73,127	-	73,127
Held to maturity financial assets	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:

	Financial assets held for trading	Financial assets available for sale	Held to maturity
	Euros '000	Euros '000	Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016			2015
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
Balance as at 1 January	2,824,165	311,522	3,135,687	3,132,655
Service cost	(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 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:

	2016 Euros '000	2015 Euros '000
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:

	2016			2015		
Asset class	Assets with market price in active market Euros '000	Remaining Euros '000	Total Portfolio Euros '000	Assets with market price in active market Euros '000	Remaining Euros '000	Total Portfolio Euros '000
Shares	423,343	102,756	526,099	503,969	148,808	652,777
Bonds and other fixed income securiti	1,187,721	159,618	1,347,339	1,312,046	4,533	1,316,579
Participations units in investment fund	-	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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016	2015		
	Continuing operations Euros '000	Continuing operations Euros '000	Discontinued or discontinuing operations Euros '000	Total Euros '000
Current service cost	(741)	(1,912)	(19)	(1,931)
Net interest cost / (income) in the liability coverage balan	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:

	2016	2015
	Euros '000	Euros '000
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 month	65 years
Rate of growth of total salary For Social Security purposes	1.75%	1%
Revaluation rate of wages / pensions of Social Security	1%	0.50%

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:

	Impact resulting from changes in financial assumptions			
	2016		2015	
	-0.25%	0.25%	-0.25%	0.25%
	Euros '000	Euros '000	Euros '000	Euros '000
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

	Impact resulting from changes in demographic assumptions			
	2016		2015	
	- 1 year	+ 1 year	- 1 year	+ 1 year
	Euros '000	Euros '000	Euros '000	Euros '000
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.

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:

	Positive variation of 1%		Negative variation of 1%	
	2016	2015	2016	2015
	Euros '000	Euros '000	Euros '000	Euros '000
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).

	2016	2015		
	Continuing operations Euros '000	Continuing operations Euros '000	Discontinued operations Euros '000	Total Euros '000
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:

	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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016		
	Loans and advances to customers Euros '000	Financial assets held for trading Euros '000	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:

	2015			
	Loans and advances to customers	Financial assets held for trading	Loans and advances to credit institutions	Other assets
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Resources from credit institutions		Resources from customers		Financial liabilities held for trading	
	2016	2015	2016	2015	2016	2015
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Interest and similar income		Commissions income	
	2016	2015 (restated)	2016	2015 (restated)
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Interest and similar expense		Commissions expense	
	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000
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:

	Revocable credit lines		Irrevocable credit lines	
	2016 Euros '000	2015 Euros '000	2016 Euros '000	2015 Euros '000
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:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016 Euros '000	2015 Euros '000	2016 Euros '000	2015 Euros '000	2016 Euros '000	2015 Euros '000
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 charg	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:

Shareholders / Bondholders	Security	Number of securities at 31/12/16	Number of securities at 31/12/15	Changes during 2016 Acquisitions	Changes during 2016 Disposals	Changes during 2016 Date	Changes during 2016 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	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/mai/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/out/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/out/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/out/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/mai/16	0.0330
				256,522		24/mai/16	0.0310
António Ferreira Pinto Júnior	BCP Shares	1,334	100,000	50		20/out/16	0,0180
António Luís Duarte Bandeira (viii)	BCP Shares	8,000	500,008	70,000		04/jul/16	0.0318
				29,992		28/set/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/dez/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.

Shareholders / Bondholders	Security	Number of securities at 31/12/2016	31/12/2015	Changes during 2016 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
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	21.7100
	Certificates BCPI Eurostox 50	187	187				
	Certificates BCPI DAX 30	55	55				
	Certificates BCP Nikkei	0	11		11	17/nov/16	178.0000
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	15,300	1,020,710	126,790		27/set/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				
	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 (i	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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2015 Euros '000	2016 Euros '000
Guarantees granted	5,330	5,423
Revocable credit lines	10,403	9,871
	15,733	15,294

Under the scope of the Group's insurance mediation activities, the remunerations from services rendering are analysed as follows:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	Commercial Banking			Companies Corporate and Investment Banking		Portfolio		
	Retail in Portugal	Foreign Business [1]	Total	in Portugal	Private Banking	non core business	Other	Consolidated
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:

	Commercial Banking			Companies Corporate and Investment		Portfolio		
	Retail in Portugal	Foreign Business (1)	Total	Banking in Portugal	Private Banking	non core business	Other (2)	Consolidated
Income statement								
Interest 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 activi	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

As at 31 December 2015, the net contribution of the major operational segments, for the balance sheet is analysed as follows:

Balance sheet								
Cash and Loans and advances to credit institutions	7,862,544	2,035,570	9,898,114	1,596,177	2,709,148	3,929	(10,668,990)	3,538,378
Loans and advances to customers	17,276,190	13,119,279	30,395,469	11,196,872	461,197	9,846,147	70,474	51,970,159
Financial assets (4)	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) 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;
(4) 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:

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio 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 charge	(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:

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other [1]	Total	Poland	Mozambique	Other [2]	Consolidated
Income statement										
Interest 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 charge	(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 costs	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

As at 31 December 2015, the net contribution of the major geographic segments, for the balance sheet is analysed as follows:

	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other [1]	Total	Poland	Mozambique	Other [2]	Consolidated
Balance sheet										
Cash and Loans and advances to credit institutions	7,862,544	1,596,177	1,644,812	3,929	(10,668,990)	438,472	1,007,326	435,761	1,656,819	3,538,378
Loans and advances to customers	17,276,190	11,196,872	214,299	9,846,147	70,474	38,603,982	10,874,876	1,296,540	1,194,761	51,970,159
Financial assets [4]	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) 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;
(4) 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

Risk items	2016 Euros '000	2015 Euros '000
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.

		2016					Euros '000
		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:

<u>Customers in default</u>

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;

<u>Customers not in default but with impairment indicators</u>

iii) Customers rated "14" integrated in groups with exposure above Euros 5 million;

<u>Groups or Customers without impairment indicators</u>

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:

	Exposure 2016					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which "cured" (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
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

	Impairment 2016		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
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:

	Exposure 2015					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which "cured" (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and CRE	8,189,817	6,202,068	142,318	627,875	1,987,749	590,266
Companies-Other Activities	22,732,956	20,415,829	376,958	1,378,401	2,317,127	1,224,492
Mortgage loans	24,488,366	22,977,817	284,860	693,118	1,510,549	356,014
Individuals - Others	4,930,511	4,127,962	16,117	228,224	802,549	285,550
Other loans	2,016,731	1,921,132	2,631	11,690	95,599	45,056
Total	62,358,381	55,644,808	822,884	2,939,308	6,713,573	2,501,378

	Impairment 2015		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and CRE	953,713	214,356	739,357
Companies-Other Activities	1,694,993	662,328	1,032,665
Mortgage loans	341,144	49,424	291,720
Individuals - Others	505,765	73,801	431,964
Other loans	47,179	20,480	26,699
Total	3,542,794	1,020,389	2,522,405

(a) - Credits that have been in default for more than 90 days or have been classified as Credit Risk and which, in the past 12 months, did not verify any of these conditions;
(b) - Credits in which there have been changes in the contractual terms, motivated by customer financial difficulties.

The following tables include the detail of the exposure of non-performing loans and impairment respectively by segment, as at 31 December 2016:

	Exposure 2016					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	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

	Impairment 2016				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90 (*)	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	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 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.

The following tables include the detail of the exposure of non-performing loans and impairment respectively by segment, as at 31 December 2015:

	Exposure 2015					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	8,189,817	4,680,249	1,379,914	6,060,163	242,209	1,745,540
Companies-Other Activities	22,732,956	17,541,522	2,745,240	20,286,762	283,954	2,033,174
Mortgage loans	24,488,366	22,258,402	539,239	22,797,641	79,579	1,430,970
Individuals - Others	4,930,511	3,820,004	245,895	4,065,899	44,600	757,948
Other loans	2,016,731	1,741,057	178,373	1,919,430	39,218	56,381
Total	62,358,381	50,041,234	5,088,661	55,129,895	689,560	6,024,013

	Impairment 2015				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	953,713	192,827	21,529	44,749	694,608
Companies-Other Activities	1,694,993	646,369	15,959	98,875	933,790
Mortgage loans	341,144	41,407	8,017	13,325	278,395
Individuals - Others	505,765	61,011	12,789	19,986	411,979
Other loans	47,179	19,987	493	6,688	20,011
Total	3,542,794	961,601	58,787	183,623	2,338,783

(*) 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:

	2016					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	2,119,430	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

	2016					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Sector	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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

	2016					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Geography	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	2015					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	2,886,383	5,303,434	8,189,817	732,516	221,197	953,713
Companies - Other Activities	4,292,726	18,440,230	22,732,956	1,336,467	358,526	1,694,993
Mortgage loans	59,613	24,428,753	24,488,366	20,746	320,398	341,144
Individuals - Others	252,149	4,678,362	4,930,511	75,184	430,581	505,765
Other loans	346,728	1,670,003	2,016,731	28,018	19,161	47,179
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

As at 31 December 2015, the following tables include the details of the loans portfolio subject to individual and collective impairment, by sector and geography:

	2015					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Sector	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**
Loans to Individuals	292,600	27,437,525	27,730,125	85,043	692,124	777,167
Manufacturing	388,032	4,090,637	4,478,669	143,023	98,017	241,040
Construction	1,237,097	2,786,561	4,023,658	312,919	137,284	450,203
Commerce	297,513	4,738,677	5,036,190	122,744	191,413	314,157
Real Estate Promotion	768,062	800,971	1,569,033	203,248	15,616	218,864
Other Services	4,168,200	10,512,458	14,680,658	1,219,629	171,062	1,390,691
Other Activities	686,095	4,153,953	4,840,048	106,325	44,347	150,672
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

	2015					
	Exposure			Impairment		
	Individual	Collective	Total	Individual	Collective	Total
Geography	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**	**Euros '000**
Portugal	6,949,421	38,876,540	45,825,961	1,992,318	1,064,049	3,056,367
Angola	341,823	903,143	1,244,966	35,933	13,054	48,987
Mozambique	112,673	1,956,315	2,068,988	30,979	59,928	90,907
Poland	226,760	12,784,784	13,011,544	133,134	212,832	345,966
Switzerland	206,922	-	206,922	567	-	567
Total	7,837,599	54,520,782	62,358,381	2,192,931	1,349,863	3,542,794

The following chart includes the entrances and the exits of the restructured loans portfolio:

	2016	2015
	Euros '000	**Euros '000**
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:

	2016			
Segment/Ratio	Number of properties	Performing loans Euros '000	Non-performing loans Euros '000	Impairment Euros '000
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:

	2015			
Segment/Ratio	Number of properties	Performing loans Euros '000	Non-performing loans Euros '000	Impairment Euros '000
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:

	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 Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000
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

	2016					
		Past due since the lieu / execution				
Asset	Number of properties	<1 year Euros '000	>=1 year and <2,5 years Euros '000	>=2,5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
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:

	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 Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000
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

	2015					
		Past due since the lieu / execution				
Asset	Number of properties	<1 year Euros '000	>=1 year and <2.5 years Euros '000	>=2.5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
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:

	2016					
	Segments					Euros '000
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage loans	Individuals Others	Other 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 classified (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:

	2015					
	Segments					Euros '000
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage loans	Individuals Others	Other loans	Total
Higher quality						
2	2,871	16,966	3,796,497	305,545	20	4,121,899
3	3,041	81,159	2,616,440	101,680	3	2,802,323
4	46,606	791,398	5,172,137	234,454	660,609	6,905,204
5	118,767	1,895,814	3,120,401	625,254	6,024	5,766,260
6	409,550	2,238,598	2,018,454	471,872	36	5,138,510
Average quality						
7	226,511	1,796,178	1,547,503	475,442	16,258	4,061,892
8	296,472	2,139,309	987,988	368,608	-	3,792,377
9	893,478	2,105,388	820,300	272,764	81	4,092,011
Lower quality						
10	286,894	1,452,108	754,657	220,436	8	2,714,103
11	296,623	748,409	420,225	109,546	-	1,574,803
12	900,408	2,156,475	712,358	180,520	33	3,949,794
Procedural						
13	18,062	45,972	168,981	50,610	7,964	291,589
14	128,796	290,080	164,793	47,858	-	631,527
15	3,117,792	4,348,452	2,028,829	906,225	789	10,402,087
Not classified (without degree of risk)	337,387	1,932,553	118,704	199,975	4,505	2,593,124
Total	7,083,258	22,038,859	24,448,267	4,570,789	696,330	58,837,503

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 EOF	
Portugal	70.40%	29
Poland	6.20%	3
"Hot spots"		**Weight over COF**
30 largest exposures	Max 50% dos COF	71.7%
Exposures to shareholders with at least 0.5% of share capital	Max 20% dos 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% dos COF; Low risk: 20% dos COF; Medium or worse risk: 10% dos 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 4 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:

				Euros '000
	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
Diversification 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
Global 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:

	2016			Euros '000
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
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

	2015			Euros '000
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	3,361	3,361	4,250	8,439
EUR	77,621	58,561	9,865	24,445
PLN	33,840	16,141	(15,076)	(29,171)
USD	(10,560)	(9,499)	9,151	18,063
TOTAL	104,262	68,564	8,190	21,776

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 (Balance sheet)		Average exchange rates (Income statement)	
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 3 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 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the 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 4 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:

	2016 Euros '000	2015 Euros '000
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:

				Euros '000
	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 n.º 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 Months)		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 n.º28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and taking into account the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, with reference to 31 December 2016 and 2015, is presented as follows:

	2016			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	14,164,516	n/a	57,496,393	n/a
of which:				
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

	2015			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	12,072,341	n/a	63,192,569	n/a
of which:				
Equity instruments	-	-	2,313,431	2,313,431
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536
Other assets	-	n/a	8,012,360	n/a

	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
Collateral received	**2016 Euros '000**	**2015 Euros '000**	**2016 Euros '000**	**2015 Euros '000**
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	-	-	-	-

	Carrying amount of selected financial liabilities	
Encumbered assets, encumbered collateral received and matching liabilities	**2016 Euros '000**	**2015 Euros '000**
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:

	At sight Euros '000	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined maturity Euros '000	Total Euros '000
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	-	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:

	2016 Euros '000	2015 Euros '000
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.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

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.

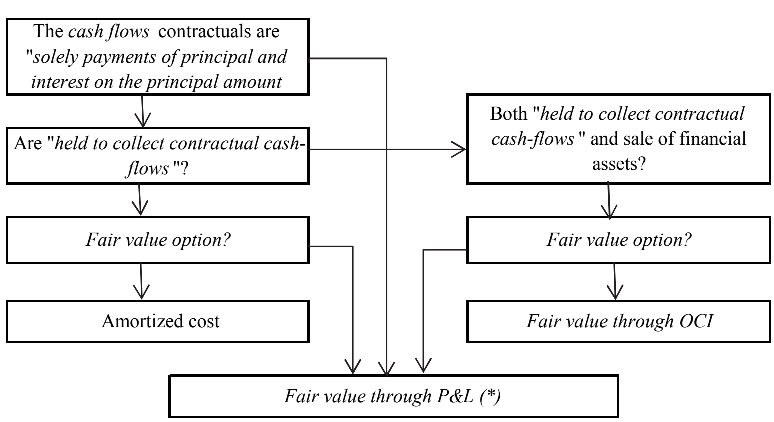
IAS 39		IFRS 9
Loans and Receivables	⇨	Amortised cost
Held to Maturity		Fair Value through P&L
Fair Value through P&L		Fair Value through OCI
Available for Sale - Fair Value through OCI		

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.

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 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.

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.

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 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 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 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 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) 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 bp 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 January 18, 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 168,883,000. 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:

Issuer / Portfolio	Book value Euros '000	Fair value Euros '000	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:

	Values associated to transfers of assets			
	2016			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
	Euros '000	Euros '000	Euros '000	Euros '000
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

	Values associated to transfers of assets			
	2015			
	Assets transferred	Net assets transferred	Received value	Income / (loss) resulting from the transfer
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	2016				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	2015				
	Senior securities	Junior securities			
	Participation units (note 23)	Participation units (note 23)	Capital supplies (note 32)	Capital supplementary contributions (note 32)	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	2016			2015		
	Loans Euros '000	Impairment Euros '000	Net value Euros '000	Loans Euros '000	Impairment Euros '000	Net value Euros '000
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:

	2015 Euros '000
Cash and deposits at Central Banks and credit institutions	547,806
Loans and advances to credit institutions	44,676
Loans and advances to customers	947,863
Securities and trading derivatives	610,410
Other assets	192,909
Total assets	2,343,664
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:

	2016			2015		
	Banco Millennium Angola Euros '000	Others Euros '000	Total Euros '000	Banco Millennium Angola Euros '000	Others Euros '000	Total Euros '000
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:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco de Investimento Imobiliário, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	17,500,000	EUR	Banking	100.0	100.0	–
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneva	70,000,000	CHF	Banking	100.0	100.0	–
BIM - Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,349	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.	Sao 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	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamora - Investimentos Imobiliários, S.A.	Oeiras	11,337,399	EUR	Real-estate management	100.0	100.0	–
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	–
Millennium TFI - Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
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	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	Activity	Group % economic interests	Group % effective held	Bank % direct held
Fundo de Investimento Imobiliário Imosotto Acumulação	Oeiras	153,883,066	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo de Investimento Imobiliário Gestão Imobiliária	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

Subsidiary companies	Head office	Nominal Value Units	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Funsita - Fundo Especial de Investimento Imobiliário Fechado	Oeiras	15,820,000	EUR	Real estate investment fund	100.0	100.0	100.0
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 Entities	100.0	100.0	100.0
Magellan Mortgages No.3 Limited	Dublin	- 40,000	EUR	Special Purpose Entities	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	Activity	Group % economic interests	Group % effective held	Bank % direct held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM - Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

As at 31 December 2016 the Group's associated companies included in the consolidated accounts under the equity method are as follows:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Banco Millennium Atlântico, S.A.	Luanda	53,821,603,000	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. (**)	Luxembourg	22,250,000	EUR	Banking	3.6	3.6	–
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda - Promoção, Montagem e Gestão de Negócios, S.A. (**)	Luanda	100,000,196	USD	Services	10.0	10.0	–
Beiranave Estaleiros Navais Beira SARL	Beira	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Imbondeiro Development Corporation	George Town	5,000	USD	Financial services	39.0	39.0	–
Luanda Waterfront Corporation (**)	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
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:

Associated companies	Head office	Share capital	Currency	Activity	Group % economic interests	Group % effective held	Bank % direct held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	775,002,375	EUR	Holding company	49.0	49.0	–
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

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 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 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.

(II) ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS FOR 2016

Separate Income Statements
for the years ended 31 December 2016 and 2015

	Notes	2016	2015 (restated)
		(Thousands of Euros)	
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.

Separate Statements of Comprehensive Income
for the years ended 31 December 2016 and 2015

	Notes	2016	2015 (restated)
		(Thousands of Euros)	
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.

Separate Balance Sheet as at 31 December 2016 and 2015 and 1 January 2015

	Notes	2016	2015 (restated)	1 January 2015 (restated)
			(Thousands of Euros)	
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.

Separate Statements of Cash Flows
for the years ended 31 December 2016 and 2015

	2016	2015 (restated)
	(Thousands of Euros)	
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 financial 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
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.

Separate Statements of Changes in Equity
for the years ended 31 December 2016 and 2015

(Thousands of Euros)

	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
Other comprehensive income									
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.

Notes to the Separate Financial Statements
31 December, 2016

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 31 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 January 1, 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

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 e 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

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) Investements 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; or
- 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.

When 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 responsabilities 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 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 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 *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 n. º 144/2006, of July 31, 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 net interest income and net gains arising from trading and hedging, from financial assets available for sale and from financial assets held to maturity. 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 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 Interesrt 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:

	2016 Euros '000	2015 (restated) Euros '000
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 amounst of Euros 32,157,000 (31 December 2015: Euros 32,157,000) 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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.

7. Net gains / (losses) arising from financial assets available for sale

The amount of this account is comprised of:

	2016 Euros '000	2015 (restated) Euros '000
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 3 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 charges	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:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 1l), 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:

	2016			2015 (restated)		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 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 606,000, including Euros 271,000 of audit services.

11. Amortization of the year

The amount of this account is comprised of:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 Sanatna, 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016	2015 (restated)
	Euros '000	Euros '000
Other loans and advances to credit institutions in Portugal		
Other applications	2,840	-
Other loans and advances to credit institutions abroad		
Outras aplicações	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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000	Overdue loans Euros '000	Total Euros '000
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 metallurgica	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 activitie	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:

	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000	Overdue loans Euros '000	Total Euros '000
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:

	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000	Overdue loans Euros '000	Total Euros '000
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 metallurgica	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 activitie	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:

	Outstanding loans					
	Due within 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000	Overdue loans Euros '000	Total Euros '000
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 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 (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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 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 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016			
	Trading Euros '000	Other financial assets at fair value through profit or loss Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	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:

	2015 (restated)			
	Trading Euros '000	Other financial assets at fair value through profit or loss Euros '000	Available for sale Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	27,573	152,018	2,193,395	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:

	2016					
	Amortised cost Euros '000	Impairment Euros '000	Amortised cost net of impairment Euros '000	Fair value reserves Euros '000	Fair value hedge adjustments Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	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:

	2015 (restated)					
	Amortised cost Euros '000	Impairment Euros '000	Amortised cost net of impairment Euros '000	Fair value reserves Euros '000	Fair value hedge adjustments Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,265,367	-	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:

	2016			
	Valuation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	2,284,795	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:

	2015 (restated)			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	At the reclassification date		2016		
	Book value	Fair value	Book value	Fair value	Difference
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Income statement	Changes	
	Interests	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000
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:

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	At the reclassification date		2015 (restated)		
	Book value	Fair value	Book value	Fair value	Difference
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	18,879	18,879	-
Financial assets held to maturity	2,144,892	2,144,892	236,866	230,475	(6,391)
From Financial assets available for sale to:					
Loans represented by securities	2,592,280	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:

	Income statement	Changes	
	Interests	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	487	(1,558)	(1,071)
Financial assets held to maturity	9,140	-	9,140
From Financial assets available for sale to:			
Loans represented by securities	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:

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
	Euros '000	Euros '000	Euros '000	Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	(1,558)	1,613	(55)	-
Financial assets held to maturity	(53,746)	47,355	-	(6,391)
From Financial assets available for sale to:				
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:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	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:

	2015 (restated)					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	2,329	1,757	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:

	2016				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Gross Total Euros '000
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:

	2015 (restated)				
	Bonds Euros '000	Shares Euros '000	Other Financial Assets Euros '000	Overdue Securities Euros '000	Gross Total Euros '000
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 (December 31, 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:

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	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:

	2015 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	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:

	2016		2015 (restated)	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
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:

Hedged item	2016 Euros '000	2015 (restated) Euros '000
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:

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	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:

	2015 (restated)					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	4,040	139,291	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:

	2016 Euros '000	2015 (restated) Euros '000
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:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities:						
BTPS 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,728	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:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities:						
BTPS 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,597	56,591
					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:

	2016				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	-	-	50,728	-	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:

	2015 (restated)				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	-	-	50,597	-	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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
Impairment for investments in subsidiary and associated companies:		
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 contributionss 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:

	2016			2015 (restated)		
	Discount rate Explicit period	Discount rate Perpetuity	Growth rate Perpetuity	Discount rate Explicit period	Discount rate Perpetuity	Growth rate Perpetuity
Portugal	7.250% to 11.750%	11.750%	0.000%	8.750% to 10.750%	9.280% a 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%
Suisse	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:

	Balance on 1 January Euros '000	Impairment charge Euros '000	Write-back Euros '000	Loans charged-off Euros '000	Exchange rate differences Euros '000	Balance on 31 December Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 sssets arising from recovered loans inludes, 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 114º 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 5 real estate companies acquired by the Bank (31 December 2015: 4 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	Balance on 1 January Euros '000	Acquisitions / Charge Euros '000	Disposals / Charged-off Euros '000	Transfers Euros '000	Exchange differences Euros '000	Balance on 31 December Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	Balance on 1 January Euros '000	Acquisitions / Charge Euros '000	Disposals / Charged-off Euros '000	Transfers Euros '000	Exchange differences Euros '000	Balance on 31 December Euros '000
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:

	2016			2015 (restated)		
	Assets Euros '000	Liabilities Euros '000	Net Euros '000	Assets Euros '000	Liabilities Euros '000	Net Euros '000
Deferred taxes not depending on the future profits (a)						
Impairment losses	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 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 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 3 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:

Description	2016 %	2015 (restated) %
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 5 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:

Expire date	2016 Euros '000	2015 (restated) Euros '000
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:

Tax losses carried forward	2016 Euros '000	2015 (restated) Euros '000
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:

	2016		2015 (reexpresso)	
	Net (loss) / income	Reserves and retained earnings	Net (loss) / income	Reserves and retained earnings
	Euros '000	Euros '000	Euros '000	Euros '000
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.

The reconciliation between the nominal tax rate and the effective tax rate is analysed as follows:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 3 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016			2015 (restated)		
	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000
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 operations with repurchase agreement	-	2,317,772	2,317,772	-	969,949	969,949
Other resources	-	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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016			2015 (restated)		
	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000	Non interest bearing Euros '000	Interest bearing Euros '000	Total Euros '000
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, agains 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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 1Apr 2012: Fixed rate 2.050% year; after 1 Apr 2012: Euribor 3M + 0.500%	90,000	88,482
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 + 0.810%	50,000	45,098
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 + 1.150%	28,750	27,624
Bcp Float Oct 2017-Vm Sr.100 Ref.33	December, 2011	October, 2017	Until 28Apr 2012: Fixed rate 2.088% year; after 28 Apr 2012: Euribor 3M + 0.500%	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

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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 Sep -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, 2017	Fixed rate of 3.375%	338,500	339,372
Bcp Cln Brisa Fev 2023 - Epvm Sr 23	February, 2015	February, 2023	Fixed rate 2.650% - 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 4.030%	2,500	2,546
					1,936,658
Accruals					33,522
					1,970,180

Debt securities at fair value through profit and loss

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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 Sr 16	November, 2014	November, 2017	Indexed to S&P GSCI ER index	1,340	692
Bcp Reem Parc Eur Ind Xii 14 Epvm Sr 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 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 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 Ind Glob 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 Zo Eur Autoc-Epvm Sr40	January, 2016	January, 2019	Indexed to EuroStoxx	1,730	1,593

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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
					196,581
Accruals					3,566
					200,147

This balance, as at 31 December 2016, is analysed by the remaining period, as follows:

	2016					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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, as at 31 December 2015, is analysed by the remaining period, as follows:

	2015 (restated)					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares.

Throughout 2014 and 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 I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

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 I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As 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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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 (December 31, 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) - 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:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
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 (December 31, 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%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(x) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(xi) - 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%;
(xii) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%;
(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:

	2016 Euros '000	2015 (restated) Euros '000
3 to 6 months	703,421	-
Up to 1 year	-	71,260
1 to 5 years	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:

	2016 Euros '000	2015 (restated) Euros '000
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 3 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 I 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 I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled. Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the 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	-	0.00%	0.00%
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 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:

Shareholder	**number of shares**	**% share capital**	**% voting rights**
Fosun Group - Chiado (Luxembourg) S.a.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%
Grupo EDP - 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.

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:

	2016 Euros '000	2015 (restated) Euros '000
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 earnings	2,444,197	2,387,893
Reserves and retained earnings	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:

	2016					
	Balance on 1 January Euros '000	Transfers Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
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:

	2015 (restated)					
	Balance on 1 January Euros '000	Transfers Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
Assets under deposit	43,457,096	122,359,479
Wealth 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 (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 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 August 2nd 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 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 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 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.

Issuer	Issue	Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	500,000,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	87,870,120
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	396,961,207.50

The process of solicitations of offers ended on 23 February 2016. There were validly tendered for purchase Euros 378,509,996.96 in principal amount outstanding of Notes (Euros 103,100,000 in respect of Senior Notes and Euros 275,409,996.96 in respect of Mortgage Backed Notes issued by Magellan Mortgages No. 2 plc e Magellan Mortgages No. 3 plc). The Bank has decided to accept for purchase Euros 85,326,455.52 (principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

Issuer	Issue	Accepted Outstanding Principal Amount (Euros)
Banco Comercial Português, S.A	Euros 500.000.000 - 3.375 per cent. Fixed Rate Notes due 27 February 2017 (“Senior Notes”)	85,300,000
Magellan Mortgages No. 2 plc	Euros 930.000.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036	26,455.52
Magellan Mortgages No. 3 plc	Euros 1.413.750.000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058	0

The settlement date was on 26 February 2016.

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 5 new members appointed by Fosun to the Board of Directors, in the context of, and in proportion to, the increase in Fosun's shareholding in BCP;
- The absence of any material adverse change situations affecting BCP or the proposed transaction.

Recognizing the potential strategic interest of the proposal made by an international investor with Fosun's profile and with a significant presence in the Portuguese market – characteristics capable of contributing a potential for cooperation and sector and geographical development – BCP's Executive Committee decided, in accordance with their fiduciary duties, to swiftly proceed with a careful analysis of the proposal, considering the many positive aspects of the proposed operation, in order to make a decision on opening negotiations and presenting a recommendation to the Board of Directors, as soon as possible.

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 €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.

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 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 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, not considering the CoCos. 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 82,265,000), 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:

	2016				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	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:

	2015 (restated)				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	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:

	2016			
	Valorization techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
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:

	2015 (restated)			
	Valorization techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
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:

	Financial assets	
	held for trading Euros '000	available for sale Euros '000
Balance on January 1	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 December 31	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 (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:

	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:

	2016 Euros '000	2015 (restated) Euros '000
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 December 31, 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:

	2016			2015 (restated)
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Total Euros '000
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	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 65,711,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2016, to the amount of Euros 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 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 Euro 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.Aa 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016			2015 (restated)		
	Assets with market price in active market Euros '000	Remaining Euros '000	Total Portfolio Euros '000	Assets with market price in active market Euros '000	Remaining Euros '000	Total Portfolio Euros '000
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:

	2016 Euros '000	2015 (reexpresso) Euros '000
Bonds and other fixed income securities	128,876	128,900
Loans and advances to credit 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 od 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 od 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	Banco Comercial Português Fund	
	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 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 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:

	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:

	Impact resulting from changes in financial assumptions			
	2016		2015 (restated)	
	- 0.25% Euros '000	+ 0.25% Euros '000	- 0.25% Euros '000	+ 0.25% Euros '000
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 Euros '000	+ 1 year Euros '000	- 1 year Euros '000	+ 1 year Euros '000
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:

	2016		2015 (restated)	
	Euros '000		Euros '000	
	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)
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:

	2016	2015 (restated)
	Euros '000	Euros '000
Service cost	2,181	2,368
Interest costs	1,058	1,124
Actuarial (gains) and losses	(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 Articles 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:

	2016	2015 (restated)
	Euros '000	Euros '000
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
	337,886	187,116
Liabilities		
Resources from credit institutions	-	810
Resources from customers	359,980	13,010
	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:

	2016	2015 (restated)
	Euros '000	Euros '000
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:

	2016	2015 (restated)
	Euros '000	Euros '000
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 , the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as

	2016		
	Loans and advances to customers Euros '000	Financial assets held for trading Euros '000	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

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:

	2015 (restated)		
	Loans and advances to customers Euros '000	Financial assets held for trading Euros '000	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 2015, the balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

	Resources from credit institutions		Resources from customers		Financial Liabilities (Derivatives)	
	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000
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:

	Interest and similar income		Commissions income	
	2016 Euros '000	2015 (restated) Euros '000	2016 Euros '000	2015 (restated) Euros '000
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:

	Interest and similar expense		Commissions expense	
	2016	2015 (restated)	2016	2015 (restated)
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Revocable credit lines		Irrevocable credit lines	
	2016	2015 (restated)	2016	2015 (restated)
	Euros '000	Euros '000	Euros '000	Euros '000
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:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	2016	2015 (restated)	2016	2015 (restated)	2016	2015 (restated)
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

Shareholders / Bondholders	Security	Number of securities at 31/12/2016	Number of securities at 31/12/2015	Changes during 2016 Acquisitions	Changes during 2016 Disposals	Changes during 2016 Date	Unit Price Euros
Members of Board of Directors							
António Vítor Martins Monteiro (i)	BCP Shares	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 (*)	4-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				
Top management							
Albino António Carneiro de Andrade	Ações BCP	0	0				
Américo João Pinto Carola (v)	Ações BCP	503	37,745				
Ana Isabel dos Santos de Pina Cabral (vi)	Ações BCP	2,440	182,953				
Ana Maria Jordão F. Torres Marques Tavares (vii)	Ações BCP	9,509	713,055	120		20-Oct-16	0,0179
André Cardoso Meneses Navarro	Ações BCP	16,743	1,255,739				
António Augusto Amaral de Medeiros	Ações BCP	2,666	200,000				
António Augusto Decrook Gaioso Henriques	Ações BCP	29,036	715,938	1,205,276		12-May-16	0.0330
		0		256,522		24-May-16	0.0310
António Ferreira Pinto Júnior	Ações BCP	1,334	100,000	50		20-Oct-16	0,0180
António Luís Duarte Bandeira (viii)	Ações BCP	8,000	500,008	70,000		4-Jul-16	0.0318
		0		29,992		28-Sep-16	0.0155
Artur Frederico Silva Luna Pais	Ações BCP	20,047	1,503,611				
Belmira Abreu Cabral	Ações BCP	1,206	90,458				
Carlos Alberto Alves	Ações BCP	6,666	500.002				
Diogo Cordeiro Crespo Cabral Campello	Ações BCP	1,833	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	Ações BCP	1,911	143,335				
Filipe Maria de Sousa Ferreira Abecasis	Ações BCP	0	0				
Francisco António Caspa Monteiro	Ações BCP	2,965	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	Ações BCP	3	275				
Henrique Raul Ferreira Leite Pereira Cernache	Ações BCP	142	10,683				
João Nuno Lima Brás Jorge	Ações BCP	5,653	424,069				
Jorge Filipe Nogueira Freire Cortes Martins	Ações BCP	100	7,518				
Jorge Manuel Machado de Sousa Góis	Ações BCP	0	0				
José Guilherme Potier Raposo Pulido Valente	Ações BCP	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.

(continuation)

Shareholders / Bondholders	Security	Number of securities at 31/12/2016	Number of securities at 31/12/2015	Changes during 2016 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
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-Sep-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				
Vania 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				
	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 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:

	Loans and advances to credit institutions							
	Repayable on demand Euros '000	Other loans and advances Euros '000	Loans and advances to customers Euros '000	Financial assets held for trading Euros '000	Financial assets available for sale Euros '000	Non-current assets held for sale Euros '000	Other assets Euros '000	Total Euros '000
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
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:

	Resources from Credit Institutions Euros '000	Resources from Customers Euros '000	Debt Securities Issued Euros '000	Financial liabilities held for trading Euros '000	Subordinated Debt Euros '000	Other liabilities Euros '000	Total Euros '000
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
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 statement, are as follows:

	Interest and similar income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Gains arising from trading activity Euros '000	Total Euros '000
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:

	Interest expense and similar charges Euros '000	Commissions expense Euros '000	Other operating costs Euros '000	Administrative costs Euros '000	Losses arising from trading activity Euros '000	Total Euros '000
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:

	Guarantees granted Euros '000	Revocable credit lines Euros '000	Total Euros '000
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
Grupo Bank Millennium (Polónia)	338	-	338
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	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:

	Loans and advances to credit institutions							
	Repayable on demand Euros '000	Other loans and advances Euros '000	Loans and advances to customers Euros '000	Financial assets held for trading Euros '000	Financial assets available for sale Euros '000	Non-current assets held for sale Euros '000	Other assets Euros '000	Total Euros '000
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:

	Resources from Credit Institutions Euros '000	Resources from Customers Euros '000	Debt Securities Issued Euros '000	Financial liabilities held for trading Euros '000	Subordinated Debt Euros '000	Other liabilities Euros '000	Total Euros '000
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 included in Income items of the income statement, are as follows:

	Interest and similar income Euros '000	Commissions income Euros '000	Other operating income Euros '000	Gains arising from trading activity Euros '000	Total Euros '000
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 included in Expenses items of the income statement, are as follows:

	Interest expense and similar charges Euros '000	Commissions expense Euros '000	Staff costs Euros '000	Administrative costs Euros '000	Losses arising from trading activity Euros '000	Total Euros '000
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:

	Guarantees granted Euros '000	Revocable credit lines Euros '000	Total Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	2016 Euros '000	2015 (restated) Euros '000
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 a 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:

Risk items	2016 Euros '000	2015 (restated) Euros '000
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.

					2016	Euros '000	
		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 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.

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:

	2016		
		Assets arising from recovered loans results (note 25)	
Asset	Number of properties	Fair value of the asset Euros '000	Book value Euros '000
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

	2016				
	Past due since the lieu / execution				
Asset	<1 year Euros '000	>=1 year and <2,5 years Euros '000	>=2,5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
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:

	2015		
		Assets arising from recovered loans results (note 25)	
Asset	Number of properties	Fair value of the asset Euros '000	Book value Euros '000
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

	2015				
	Past due since the lieu / execution				
Asset	<1 year Euros '000	>=1 year and <2,5 years Euros '000	>=2,5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
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:

	Euros '000	
	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:

2016			Euros '000	
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
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

2015 (restated)			Euros '000	
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
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 Banks's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the 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:

	2016 Euros '000	2015 (restated) Euros '000
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:

	At sight Euros '000	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined maturity Euros '000	Total Euros '000
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
Passivo							
Recursos de IC	-	3,764,169	677,010	4,314,091	990,250	-	9,745,520
Recursos de clientes	14,420,226	8,804,892	8,646,558	1,927,121	159,172	-	33,957,969
Títulos de dívida emitidos	-	433,169	1,231,230	466,846	587,511	-	2,718,756
Passivos subordinados	-	-	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 struture 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 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 Millenniumbcp'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 January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the regulatory framework, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

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 Millenniumbcp 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 Millenniumbcp 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:

	2016 Euros '000	2015 (restated) Euros '000
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.

2 - Standards, interpretations, amendments and revisions that will take effect in future exercises

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.

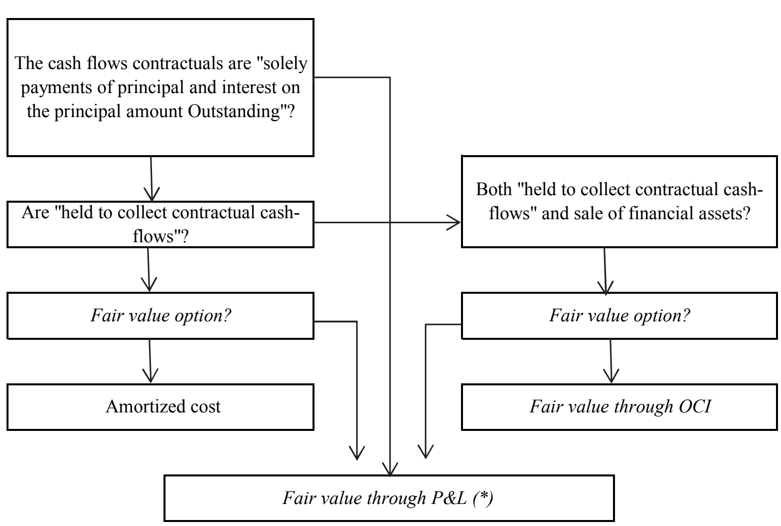
IAS 39		IFRS 9
Loans and Receivables	⇨	Amortised cost
Held to Maturity		Fair Value through P&L
Fair Value through P&L		Fair Value through OCI
Available for Sale - Fair Value through OCI		

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 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.

- 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 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:

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 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 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

<u>*Resolution measure of Banco Espírito Santo, S.A.*</u>

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 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 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) 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:

	2016					
Issuer / Portfolio	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity Years	Fair value measurement levels
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:

	2015 (restated)					
Issuer / Portfolio	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity Years	Fair value measurement levels
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.

- 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:

	Values associated to transfers of assets 2016			
	Assets transferred Euros '000	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000
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

	Values associated to transfers of assets 2015 (restated)			
	Assets transferred Euros '000	Net assets transferred Euros '000	Received value Euros '000	Income / (loss) resulting from the transfer Euros '000
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).

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As at 31 December 2016, the amount of assets received in such transactions are comprised of:

	2016				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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 29).

As at 31 December 2015, the amount of assets received in such transactions are comprised of:

	2015 (restated)				
	Senior securities	Junior securities			
	Participation units (note 21)	Participation units (note 21)	Capital supplies (note 29)	Capital supplementary contributions (note 29)	Total
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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:

	2016			2015 (restated)		
	Loans	Impairment	Net value	Loans	Impairment	Net value
	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
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 the Bank of Portugal

The Bank's separate financial statements up to and including December 31, 2015 were prepared and presented in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal. As of January 1, 2016, following the publication of Bank of Portugal Notice no. 5/2015, of December 30, 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 Bank of Portugal Notice No. 3/95, of June 30. As a result, the Bank retrospectively applied the new policy in its financial statements (restatement), with reference to the first comparative period presented, ie January 1, 2015.

In this sense, the Separate Balance Sheet as of January 1 and December 31, 2015 and the Separate Income, Comprehensive Income and Shareholders' Equity Statements of December 31, 2015, presented in the appendix, were restated, with the impact of this restatement consisted An increase in the Bank's separate equity at January 1, 2015 in the amount of Euros 1,262,944,000, a decrease in separate net income as of December 31, 2015 at Euros 141,013,000 and an increase in separate shareholders' equity at December 31 Of 2015 of Euros 1,121,931,000. These impacts are presented in the following tables:

	1 Jan 2015 (restated) Euros '000	Reexpression Euros '000	31 Dec 2014 Euros '000
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

	31 Dec 2015 (restated) Euros '000	Reexpression Euros '000	31 Dec 2015 Euros '000
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

	31 Dec 2015 (restated) Euros '000	Reexpression Euros '000	31 Dec 2015 Euros '000
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

	Equity (restated)			
	Equity 31.12.2015 Euros '000	Other variations 2015 Euros '000	Net income 2015 Euros '000	Equity 01.01.2015 Euros '000
Previously reported value (NCA's)	3,427,298	324,853	226,057	2,876,388
Impacto da entrada em vigor do				
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.	Warsaw	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	Investment fund management	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	52,270,768	BRL	Financial Services	100.0
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	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. (*)	Lisbon	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	Share capital	Currency	Activity	% held
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive 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 Imobiliário Fechado 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.

(III) ACCOUNTS AND NOTES TO CONSOLIDATED ACCOUNTS FOR 2015

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Notes	2015	2014
Interest and similar income	3	**2,316,101**	2,652,638
Interest expense and similar charges	3	**(1,014,526)**	(1,536,487)
NET INTEREST INCOME		**1,301,575**	1,116,151
Dividends from equity instruments	4	**11,941**	5,888
Net fees and commissions income	5	**692,862**	680,885
Net gains/(losses) arising from trading and hedging activities	6	**173,698**	154,247
Net gains/(losses) arising from financial assets available for sale	7	**421,746**	302,407
Net gains/(losses) arising from financial assets held to maturity	8	**-**	(14,492)
Other operating income/(costs)	9	**(110,519)**	(53,300)
		2,491,303	2,191,786
Other net income from non banking activities		**18,856**	19,278
TOTAL OPERATING INCOME		**2,510,159**	2,211,064
Staff costs	10	**616,070**	635,616
Other administrative costs	11	**423,833**	448,451
Depreciation	12	**66,623**	65,543
OPERATING EXPENSES		**1,106,526**	1,149,610
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENT		**1,403,633**	1,061,454
Loans impairment	13	**(833,024)**	(1,106,990)
Other financial assets impairment	14	**(56,675)**	(91,345)
Other assets impairment	28 and 33	**(79,667)**	(36,311)
Goodwill impairment		**-**	(145)
Other provisions	15	**(24,947)**	(81,473)
OPERATING NET INCOME/(LOSS)		**409,320**	(254,810)
Share of profit of associates under the equity method	16	**23,528**	35,960
Gains/(losses) arising from the sale of subsidiaries and other assets	17	**(30,138)**	45,445
NET INCOME/(LOSS) BEFORE INCOME TAXES		**402,710**	(173,405)
Income taxes			
Current	32	**(99,746)**	(100,995)
Deferred	32	**43,349**	198,670
INCOME/(LOSS) AFTER INCOME TAXES FROM CONTINUING OPERATIONS		**346,313**	(75,730)
Income/(loss) arising from discontinued operations	18	**14,648**	(40,830)
NET INCOME/(LOSS) AFTER INCOME TAXES		**360,961**	(116,560)
Consolidated net income/(loss) for the year attributable to:			
Shareholders of the Bank		**235,344**	(226,620)
Non-controlling interests	45	**125,617**	110,060
NET INCOME/(LOSS) FOR THE YEAR		**360,961**	(116,560)
Earnings per share (in Euros)	19		
Basic		**0.005**	(0.005)
Diluted		**0.005**	(0.005)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Notes	2015	2014
ASSETS			
Cash and deposits at Central Banks	20	**1,840,317**	1,707,447
Loans and advances to credit institutions			
Repayable on demand	21	**776,413**	795,774
Other loans and advances	22	**921,648**	1,456,026
Loans and advances to customers	23	**51,970,159**	53,685,648
Financial assets held for trading	24	**1,188,805**	1,674,240
Other financial assets held for trading at fair value through profit or loss	24	**152,018**	-
Financial assets available for sale	24	**10,779,030**	8,263,225
Assets with repurchase agreement		**-**	36,423
Hedging derivatives	25	**73,127**	75,325
Financial assets held to maturity	26	**494,891**	2,311,181
Investments in associated companies	27	**315,729**	323,466
Non-current assets held for sale	28	**1,765,382**	1,622,016
Investment property	29	**146,280**	176,519
Property and equipment	30	**670,871**	755,451
Goodwill and intangible assets	31	**210,916**	252,789
Current income tax assets		**43,559**	41,895
Deferred income tax assets	32	**2,561,506**	2,398,562
Other assets	33	**974,228**	784,929
TOTAL ASSETS		**74,884,879**	76,360,916
LIABILITIES			
Deposits from credit institutions	34	**8,591,045**	10,966,155
Deposits from customers	35	**51,538,583**	49,816,736
Debt securities issued	36	**4,768,269**	5,709,569
Financial liabilities held for trading	37	**723,228**	952,969
Hedging derivatives	25	**541,230**	352,543
Provisions	38	**284,810**	460,293
Subordinated debt	39	**1,645,371**	2,025,672
Current income tax liabilities		**22,287**	31,794
Deferred income tax liabilities	32	**14,810**	6,686
Other liabilities	40	**1,074,675**	1,051,592
TOTAL LIABILITIES		**69,204,308**	71,374,009
EQUITY			
Share capital	41	**4,094,235**	3,706,690
Share premium		**16,471**	-
Preference shares	41	**59,910**	171,175
Other equity instruments	41	**2,922**	9,853
Treasury stock	44	**(1,187)**	(13,547)
Fair value reserves	43	**23,250**	106,898
Reserves and retained earnings	43	**192,224**	458,087
Net income/(loss) for the year attributable to Shareholders		**235,344**	(226,620)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		**4,623,169**	4,212,536
Non-controlling interests	45	**1,057,402**	774,371
TOTAL EQUITY		**5,680,571**	4,986,907
		74,884,879	76,360,916

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements

CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	2015	2014
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	**2,189,498**	2,354,534
Commissions received	**850,019**	862,022
Fees received from services rendered	**79,755**	90,078
Interests paid	**(1,061,619)**	(1,635,320)
Commissions paid	**(203,186)**	(271,755)
Recoveries on loans previously written off	**29,726**	15,631
Net earned premiums	**28,622**	26,742
Claims incurred of insurance activity	**(10,438)**	(10,641)
Payments to suppliers and employees	**(1,453,636)**	(1,491,419)
Income taxes (paid)/received	**(98,847)**	(85,513)
	349,894	(145,641)
Decrease/(increase) in operating assets:		
Receivables from/(Loans and advances to) credit institutions	**518,599**	(332,121)
Deposits held with purpose of monetary control	**(94,538)**	1,329,828
Loans and advances to customers	**673,511**	3,386,494
Short term trading account securities	**332,709**	(121,139)
Increase/(decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	**(76,622)**	137,806
Deposits from credit institutions with agreed maturity date	**(2,247,785)**	(2,536,748)
Deposits from clients repayable on demand	**3,750,799**	1,556,641
Deposits from clients with agreed maturity date	**(1,953,456)**	(1,509,976)
	1,253,111	1,765,144
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	**320,305**	163,786
Dividends received	**46,319**	9,269
Interest income from available for sale financial assets and held to maturity financial assets	**325,517**	414,809
Sale of available for sale financial assets	**12,572,774**	13,340,670
Acquisition of available for sale financial assets	**(65,920,453)**	(81,733,441)
Maturity of available for sale financial assets	**52,626,182**	69,578,158
Acquisition of tangible and intangible assets	**(90,824)**	(119,763)
Sale of tangible and intangible assets	**38,732**	28,163
Decrease/(increase) in other sundry assets	**72,639**	(231,821)
	(8,809)	1,449,830
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	**657**	421
Reimbursement of subordinated debt	**(16,403)**	(2,265,669)
Issuance of debt securities	**309,586**	3,912,301
Reimbursement of debt securities	**(1,416,446)**	(7,739,894)
Issuance of commercial paper and other securities	**120,558**	99,563
Reimbursement of commercial paper and other securities	**(5,240)**	(19,060)
Share capital increase	**-**	2,241,690
Dividends paid to non-controlling interests	**(10,157)**	(31,055)
Increase/(decrease) in other sundry liabilities and non-controlling interests	**(72,769)**	240,979
	(1,090,214)	(3,560,724)
Exchange differences effect on cash and equivalents	**(150,948)**	10,604
Net changes in cash and equivalents	**3,140**	(335,146)
Cash and equivalents at the beginning of the year	**1,398,584**	1,733,730
Cash (note 20)	**625,311**	602,810
Other short term investments (note 21)	**776,413**	795,774
CASH AND EQUIVALENTS AT THE END OF THE YEAR	**1,401,724**	1,398,584

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Share capital	Preference shares	Other equity instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Equity attributed to the Shareholders of the Bank	Non-controlling interests (note 45)	Total equity
BALANCE ON 1 JANUARY, 2014	3,500,000	171,175	9,853	-	223,270	22,311	(1,950,790)	630,133	(22,745)	2,583,207	692,601	3,275,808
OTHER COMPREHENSIVE INCOME												
Exchange differences arising on consolidation	-	-	-	-	-	-	10,919	-	-	10,919	(315)	10,604
Fair value reserves (note 43)	-	-	-	-	-	84,587	-	-	-	84,587	(407)	84,180
Actuarial losses												
Gross value	-	-	-	-	-	-	(477,859)	-	-	(477,859)	(500)	(478,359)
Taxes	-	-	-	-	-	-	34,243	-	-	34,243	41	34,284
Net income/(loss) for the year	-	-	-	-	-	-	-	(226,620)	-	(226,620)	110,060	(116,560)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	84,587	(432,697)	(226,620)	-	(574,730)	108,879	(465,851)
Share capital decrease (note 41)	(2,035,000)	-	-	-	-	-	-	2,035,000	-	-	-	-
Share capital increase (note 41)	2,241,690	-	-	-	-	-	-	-	-	2,241,690	-	2,241,690
Costs related to the share capital increase	-	-	-	-	-	-	-	(57,718)	-	(57,718)	-	(57,718)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	12,121	-	12,121	-	12,121
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L. and Bank Millennium, S.A.	-	-	-	-	-	-	-	-	-	-	(31,055)	(31,055)
Acquisition of 54.01% of the Units of the Investment Fund DP Invest	-	-	-	-	-	-	-	-	-	-	3,932	3,932
Treasury stock (note 44)	-	-	-	-	-	-	-	-	9,198	9,198	-	9,198
Other reserves arising on consolidation (note 43)	-	-	-	-	-	-	-	(1,232)	-	(1,232)	14	(1,218)
BALANCE ON 31 DECEMBER, 2014	3,706,690	171,175	9,853	-	223,270	106,898	(2,383,487)	2,391,684	(13,547)	4,212,536	774,371	4,986,907
OTHER COMPREHENSIVE INCOME												
Exchange differences arising on consolidation	-	-	-	-	-	-	(84,038)	-	-	(84,038)	(71,471)	(155,509)
Fair value reserves (note 43)	-	-	-	-	-	(91,139)	-	-	-	(91,139)	19,047	(72,092)
Actuarial losses												
Gross value	-	-	-	-	-	-	(110,507)	-	-	(110,507)	(185)	(110,692)
Taxes	-	-	-	-	-	-	86,459	-	-	86,459	(17)	86,442
Disposal of 15.54% of Bank Millennium S.A. (note 48)	-	-	-	-	-	7,491	4,561	-	-	12,052	(7,491)	4,561
Net income/ (loss) for the year	-	-	-	-	-	-	-	235,344	-	235,344	125,617	360,961
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	-	(83,648)	(103,525)	235,344	-	48,171	65,500	113,671
Share capital increase by securities exchange (note 41 and 48)	387,545	(111,265)	(6,931)	16,471	-	-	-	-	-	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

(continues)

See accompanying notes to the consolidated financial statements

(continuation) (Thousands of Euros)

	Share capital	Preference shares	Other equity instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Fair value and cash flow hedged reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Equity attributed to the Shareholders of the Bank	Non-controlling interests (note 45)	Total equity
Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.	-	-	-	-	-	-	-	-	-	-	(10,157)	(10,157)
Disposal of 15.54% of Bank.Millennium S.A. (note 48)	-	-	-	-	-	-	-	30,988	-	30,988	227,910	258,898
Treasury stock (note 44)	-	-	-	-	-	-	-	34,468	12,360	46,828	-	46,828
Other reserves arising on consolidation (note 43)	-	-	-	-	-	-	3,434	(3,682)	-	(248)	(222)	(470)
BALANCE ON 31 DECEMBER, 2015	4,094,235	59,910	2,922	16,471	223,270	23,250	(2,483,578)	2,687,876	(1,187)	4,623,169	1,057,402	5,680,571

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

		2015				
					Attributable to	
	Notes	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT						
Fair value reserves		(107,017)	-	(107,017)	(121,344)	14,327
Taxes		34,925	-	34,925	37,696	(2,771)
		(72,092)	-	(72,092)	(83,648)	11,556
Exchange differences arising on consolidation		(150,948)	-	(150,948)	(79,477)	(71,471)
		(223,040)	-	(223,040)	(163,125)	(59,915)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT						
Actuarial losses for the year						
Gross amount						
Not related to changes in actuarial assumptions						
Return of the fund	50	(110,343)	(71)	(110,414)	(110,414)	-
Difference between the expected and the effective obligations	50	(363)	-	(363)	(363)	-
BCP Pensions Fund	50	(110,706)	(71)	(110,777)	(110,777)	-
Actuarial losses from associated companies		85	-	85	270	(185)
		(110,621)	(71)	(110,692)	(110,507)	(185)
Taxes		86,425	17	86,442	86,459	(17)
		(24,196)	(54)	(24,250)	(24,048)	(202)
Other comprehensive (loss)/income after taxes		(247,236)	(54)	(247,290)	(187,173)	(60,117)
Net income/(loss) for the year		346,313	14,648	360,961	235,344	125,617
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		99,077	14,594	113,671	48,171	65,500

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

		2014				
					Attributable to	
	Notes	Continuing operations	Discontinued operations	Total	Shareholders of the Bank	Non-controlling interests
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT						
Fair value reserves		94,556	(176)	94,380	95,721	(1,341)
Taxes		(10,228)	28	(10,200)	(11,134)	934
		84,328	(148)	84,180	84,587	(407)
Exchange differences arising on consolidation		10,680	(76)	10,604	10,919	(315)
		95,008	(224)	94,784	95,506	(722)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT						
Actuarial losses for the year						
Gross amount						
Not related to changes in actuarial assumptions						
Return of the fund	50	96,756	104	96,860	96,860	-
Difference between the expected and the effective obligations	50	(392)	171	(221)	(221)	-
Arising from changes in actuarial assumptions	50	(572,598)	(1,282)	(573,880)	(573,880)	-
BCP Pensions Fund	50	(476,234)	(1,007)	(477,241)	(477,241)	-
Actuarial losses from associated companies		(1,118)	-	(1,118)	(618)	(500)
		(477,352)	(1,007)	(478,359)	(477,859)	(500)
Taxes		34,166	118	34,284	34,243	41
		(443,186)	(889)	(444,075)	(443,616)	(459)
Other comprehensive (loss)/income after taxes		(348 178)	(1,113)	(349,291)	(348,110)	(1,181)
Net income/(loss) for the year		(75,730)	(40,830)	(116,560)	(226,620)	110,060
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(423,908)	(41,943)	(465,851)	(574,730)	108,879

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 public 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, 2015 and 2014.

In accordance with Regulation (EC) no. 1606 / 2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1 / 2005 from the Bank of Portugal, the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union (EU) since the year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The consolidated financial statements presented were approved on 28 March 2016 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.

The consolidated financial statements for the year ended 31 December 2015 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 2015, as referred in note 55.

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, with the changes arising from the adoption of the following standards: IFRIC 21 – Levies.

IFRIC 21 – Levies

The IASB issued this interpretation on 20 May 2013, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. This interpretation was endorsed by EU Commission Regulation no. 634 / 2014, 13 June (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 17 June 2014).

IFRIC 21 defines a Levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

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

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

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, 20% or more of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:
- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; or
- provision of essential technical information.

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

Goodwill – Differences arising from consolidation

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

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

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

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

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

The recoverable amount of the goodwill is assessed annually, regardless the existence of any impairment triggers. 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.

Goodwill is no longer 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.

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 non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

Regarding the investments in foreign operations that are consolidated under the full consolidation or equity methods, for exchange differences between the conversion to Euros of the opening net assets 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 eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those 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 the entity.

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

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

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

Impairment
The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, 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 basic methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans
Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:
- group's aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- the existence, nature and estimated value of the collaterals;
- a significant downgrading in the costumer's rating;
- the assets available on liquidation or insolvency situations;
- the ranking of all creditors claims;
- the amount and timing of expected receipts and recoveries.

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

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

(ii) Collective assessment
Impairment losses are calculated on a collective basis under two different scenarios:
- for homogeneous groups of loans that are not considered individually significant; or
- losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:
- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group in order to monitor the differences between estimated and real losses.

Loans, for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in terms individual only occurs in future periods.

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement
Financial assets are recognized on the trade date, thus, in the date that the Group commits to purchase the asset and are classified considering the intent behind them, according to the categories described below:

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in financial assets held for trading and the trading derivatives with negative fair value are included in financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in Net gains / (losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. On disposal of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains / (losses) arising from available for sale financial assets. 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 the income statement 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 the category of financial assets at fair value through profit and loss or financial assets available for sale. 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 incremental direct 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, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there is no reversal in the income statement).

(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, unless 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.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:
- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related to the monetary items 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 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. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:
- Deferred over the residual period of the hedged instrument; or
- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated.

As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any 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 income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement 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 requirements described in the standard are met, namely:

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables – Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair Value Option) are prohibited.

g) Derecognition

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Compound financial instruments

Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) cannot change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

j) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

k) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

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. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:

- Interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (net interest income).

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in Net interest income.

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)

Financial net gains / losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes the impairment losses and gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	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.

r) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as Other operating income.

The expertises responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

s) Intangible Assets

Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

The Group accounts, as intangible assets, the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and loans and advances to credit institutions.

u) Offsetting

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

v) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

w) Employee benefits

Defined benefit plans

The Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans Plano ACT and Plano ACTQ of the Pension Plan of BCP Group, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceeded to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System (Caixa de Abono de Família dos Empregados Bancários) which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in "Acordo Colectivo de Trabalho".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related to pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the Instrumento de Regulação Colectiva de Trabalho (IRCT) of the retirees and pensioners. The responsibilities related to the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding pensions funds.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund.

The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plans
For defined contribution plans, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2015, the Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees.

Share based compensation plan
As at 31 December 2015 there are no share based compensation plans in force.

Variable remuneration paid to employees
The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed.

This variable remuneration is charged to income statement in the year to which it relates.

x) Income taxes
The Group is subject to the regime established by the Income Tax Code (CIRC). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

y) Segmental reporting
The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operating results are regularly reviewed by the management with the aim of taking decisions about allocating resources to the segment and assess its performance, and (iii) for which separate financial information is available. The Group controls its activity through the following major operating segments:

Portugal activity:
- Retail Banking, also including ActivoBank;
- Companies, including the following networks: Companies, Corporate, Large Corporates and Investment Banking;
- Private Banking;
- Non-core business portfolio.

Foreign activity:
- Poland;
- Angola;
- Mozambique.

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 were 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 as at 31 December 2014. However, 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.

Additionally, following the sale of the total shareholding in Banca Millennium in Romania in 2014, this subsidiary was classified as discontinued operation, with the impact on results of its operation presented on a separate line item in the profit and loss account, defined as "Income arising from discontinued operations", as at December 2014.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Switzerland and Cayman Islands.

z) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

The measurement of provisions takes into account the principles set in IAS 37 regarding the best estimate of the expected cost, the most likely result of current actions and considering the risks and uncertainties inherent in the process result. On the cases that the discount effect is material, provision corresponds to the actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

aa) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. 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 classified as an investment contract and accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long--term contracts are recognised when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions / liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration of risk coverage.

Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a pro-rata basis during the term of the contract. The provision for unearned premiums represents the amount of premiums on risks not occurred.

Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle.

Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiums ceded
The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

Liability adequacy test
At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Insurance or reinsurance intermediation services
The Banco Comercial Português and Banco ActivoBank are entities authorized by the "Autoridade de Supervisão de Seguros e Fundos de Pensões" (Portuguese Insurance Regulation) to practice the activity of insurance intermediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law n. º 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance intermediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance intermediation, the Banks receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements / protocols established between the Banks and the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the principle of accrual, so the commissions which payment occurs at different time period to which it relates, are subject to registration as an amount receivable under Other assets.

ad) Accounting estimates and judgments in applying accounting policies
IFRS set forth a range of accounting treatments that require the Executive Committee and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of financial assets available for-sale
The Group determines that financial assets available for-sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. 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 the consolidated income statement of the Group.

Impairment losses on loans and advances to customers
The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c).

The evaluation process in determining whether an impairment loss should be recorded in the income statement 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, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

Fair value of derivatives
Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (either for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments
The Group follows the guidance of IAS 39 on classifying non--derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

Entities included in the consolidation perimeter
For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity (de facto control).

The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in net income.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Committee considers that there is no relevant material effect at the level of the financial statements.

Pension and other employees' benefits
Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment
The goodwill recoverable amount recognised as a Group's asset, is revised annually regardless the existence of impairment losses.

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.

2. NET INTEREST INCOME AND NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE AND FROM FINANCIAL ASSETS HELD TO MATURITY

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, as presented in notes 3, 6 and 7. A particular business activity can generate impact in each of these captions, whereby the disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale and from financial assets held to maturity.

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Net interest income	**1,301,575**	1,116,151
Net gains/(losses) from trading and hedging assets	**173,698**	154,247
Net gains/(losses) from financial assets available for sale	**421,746**	302,407
Net gains/(losses) from financial assets held to maturity	**-**	(14,492)
	1,897,019	1,558,313

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
INTEREST AND SIMILAR INCOME		
Interest on loans and advances	**1,867,061**	2,039,661
Interest on trading securities	**15,241**	17,300
Interest on other financial assets valued at fair value through profit and loss account	**6,061**	-
Interest on available for sale financial assets	**245,925**	289,507
Interest on held to maturity financial assets	**29,929**	116,246
Interest on hedging derivatives	**104,161**	112,426
Interest on derivatives associated to financial instruments through profit and loss account	**15,286**	29,925
Interest on deposits and other investments	**32,437**	47,573
	2,316,101	2,652,638
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on deposits and other resources	**661,363**	907,058
Interest on securities issued	**197,910**	353,512
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	**65,352**	180,027
Others	**60,844**	66,986
Interest on hedging derivatives	**11,271**	14,829
Interest on derivatives associated to financial instruments through profit and loss account	**17,786**	14,075
	1,014,526	1,536,487
	1,301,575	1,116,151

The balance Interest on loans and advances includes the amount of Euros 55,192,000 (2014: Euros 56,290,000) 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 balance Interest and similar income includes, the amount of Euros 203,835,000 (2014: Euros 229,343,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

The balances Interest on securities issued and Interest on subordinated debt include the amount of Euros 92,851,000 (2014: Euros 149,984,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Dividends from financial assets available for sale	**11,936**	5,886
Dividends from financial assets held for trading	**5**	2
	11,941	5,888

The balance 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:

(Thousands of Euros)

	2015	2014
FEES AND COMMISSIONS RECEIVED		
From guarantees	**84,942**	83,290
From credit and commitments	**2,939**	1,910
From banking services	**451,629**	460,515
From insurance activity	**1,648**	1,413
From securities operations	**100,543**	106,645
From management and maintenance of accounts	**84,376**	76,611
From fiduciary and trust activities	**980**	1,279
From other services	**75,403**	80,518
	802,460	812,181
FEES AND COMMISSIONS PAID		
From guarantees	**5,098**	26,129
From banking services	**82,311**	84,032
From insurance activity	**1,536**	1,611
From securities operations	**9,290**	9,637
From other services	**11,363**	9,887
	109,598	131,296
	692,862	680,885

The balance Fees and commissions received – From banking services includes the amount of Euros 75,340,000 (2014: Euros 72,742,000) related to insurance mediation commissions.

The caption Fees and commissions expenses – From guarantees included, in 2014, the amount of Euros 22,689,000 related to commissions paid relating the issues guaranteed given by the Portuguese State.

6. NET GAINS / (LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
GAINS ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**2,132,878**	1,148,545
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**8,649**	43,199
Variable income	**5,725**	4,193
Certificates and structured securities issued	**53,908**	71,834
Derivatives associated to financial instruments at fair value through results	**50,192**	56,592
Other financial instruments derivatives	**691,880**	608,490
Other financial instruments at fair value through results		
Securities portfolio		
Fixed income	**29**	-
Other financial instruments	**8,351**	14,142
Repurchase of own issues	**42,124**	40,482
Hedging accounting		
Hedging derivatives	**106,873**	75,809
Hedged item	**21,371**	29,440
Other activity	**9,729**	25,830
	3,131,709	2,118,556
LOSSES ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**1,994,393**	1,050,021
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**13,975**	7,881
Variable income	**5,701**	1,051
Certificates and structured securities issued	**57,648**	69,039
Derivatives associated to financial instruments through profit and loss account	**53,476**	66,557
Other financial instruments derivatives	**679,054**	640,778
Other financial instruments at fair value through results		
Securities portfolio		
Fixed income	**734**	-
Other financial instruments	**4,657**	14,668
Repurchase of own issues	**3,828**	1,783
Hedging accounting		
Hedging derivatives	**119,110**	47,503
Hedged item	**8,173**	48,506
Other activity	**17,262**	16,522
	2,958,011	1,964,309
	173,698	154,247

As mentioned in note 48, the approval of the exchange offer of subordinated securities for shares originated, in 2015, a gain of Euros 34,420,000 in Net gains / (losses) arising from trading and hedging activities – Repurchase of own issues.

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 d).

The caption Net gains arising from trading and hedging activities includes, in 2015, for Deposits from customers – Deposits at fair value through profit and loss, a loss of Euros 1,302,000 (2014: loss of Euros 4,642,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 35.

This caption also includes in 2015, for Debt securities at fair value through profit and loss, a loss of Euros 6,337,000 (2014: gain of Euros 632,000) and for derivatives liabilities associated to financial instruments a loss of Euros 8,491,000 (2014: gain Euros 11,345,000), related to the fair value changes arising from changes in own credit risk (spread), as referred in note 36.

7. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
GAINS ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**435,584**	302,828
Variable income	**11,061**	7,749
LOSSES ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**(24,189)**	(6,659)
Variable income	**(710)**	(1,511)
	421,746	302,407

The caption Gains arising from financial assets available for sale – Fixed income – includes, in 2015, the amount of Euros 414,603,000 (2014: Euros 291,048,000) related to gains resulting from the sale of Portuguese public debt.

As mentioned in note 24, during 2015, and following measures taken to strengthen the Group's capital ratios levels, Euros 1,742,354,000 were transferred to the portfolio of financial assets available for sale, the whole Portuguese public debt portfolio previously recorded in the portfolio financial assets held to maturity in order to arrange for its disposal.

8. NET GAINS / (LOSSES) ARISING FROM FINANCIAL ASSETS HELD TO MATURITY

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Losses arising from financial assets held to maturity	**-**	(14,492)

9. OTHER OPERATING INCOME / (COSTS)

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
OPERATING INCOME		
Income from services	**31,229**	29,291
Cheques and others	**15,581**	15,167
Other operating income	**12,904**	2,107
	59,714	46,565
OPERATING COSTS		
Indirect taxes	**23,754**	11,963
Donations and contributions	**3,761**	4,026
Contribution over the banking sector	**24,937**	37,195
Contribution for the Resolution Fund	**6,393**	8,016
Contribution for the Single Resolution Fund	**31,364**	-
Other operating expenses	**80,024**	38,665
	170,233	99,865
	(110,519)	(53,300)

The caption 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) the off-balance notional amount of derivatives.

The item Contribution for the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund by the member credit institutions, 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 item Contribution for the Single Resolution Fund corresponds to the annual contribution collected in 2015 by the Resolution Fund, in accordance with the article 153-H (1) of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF), which translated the articles 100 (4) (a) and 103 (1) of the Directive 2015/59/EU of the European Parliament and of the Council of 15 May 2014, and of article (20) of the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 (Delegated Regulation). This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in the Delegated Regulation in accordance with its articles 4, 13 and 20. In the scope of the Single Resolution Mechanism this contribution will be transferred to the Single Resolution Fund up to 31 January 2016, as stipulated in article 3 (3) of the Agreement for the transfer of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014.

10. STAFF COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Salaries and remunerations	**470,958**	485,880
Mandatory social security charges		
Pension Fund and other benefits		
Service cost	**(1,912)**	(4,376)
Net interest cost/(income) in the liability coverage balance	**5,729**	3,101
Cost/ (income) with early retirement programs and mutually agreed terminations	**(359)**	(160)
	3,458	(1,435)
Other mandatory social security charges	**105,775**	110,344
	109,233	108,909
Voluntary social security charges	**26,277**	31,969
Seniority premium	**2,248**	3,905
Other staff costs	**7,354**	4,953
	616,070	635,616

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	
	2015	2014	2015	2014	2015	2014
Remunerations	**2,176**	2,080	**578**	577	**5,394**	7,757
Supplementary retirement pension	**1,205**	702	**-**	-	**-**	-
Pension Fund	**19**	25	**-**	-	**61**	43
Other mandatory social security charges	**531**	468	**137**	152	**1,479**	1,918
Seniority premium	**44**	-	**-**	-	**143**	181
	3,975	3,275	**715**	729	**7,077**	9,899

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank and set by the Remunerations Commission.

During 2015, the amount of remuneration paid to the Executive Committee includes Euros 103,000 (2014: Euros 101,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, and has been regularised at the beginning of 2016, the amount of Euros 63,000, as mentioned in paragraph 77 of the "Corporate Governance Report".

During 2015 and 2014, no variable remuneration was attributed to the members of the Executive Committee.

During 2015, were paid Euros 4,729,000 (2014: Euros 929,000) of severance pay to some key management members.

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	2015	2014
PORTUGAL		
Top Management	**1,029**	1,152
Intermediary Management	**1,723**	1,807
Specific/Technical functions	**2,942**	3,185
Other functions	**1,906**	2,172
	7,600	8,316
ABROAD	**9,734**	9,623
	17,334	17,939

11. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Water, electricity and fuel	**18,865**	19,571
Consumables	**5,601**	5,852
Rents	**108,014**	114,721
Communications	**26,545**	28,280
Travel, hotel and representation costs	**9,720**	9,831
Advertising	**28,985**	31,763
Maintenance and related services	**27,554**	29,797
Credit cards and mortgage	**5,488**	5,159
Advisory services	**12,335**	12,551
Information technology services	**20,492**	20,822
Outsourcing	**76,943**	76,074
Other specialised services	**30,403**	30,064
Training costs	**2,352**	1,732
Insurance	**5,504**	5,146
Legal expenses	**6,597**	7,328
Transportation	**11,263**	10,958
Other supplies and services	**27,172**	38,802
	423,833	448,451

The caption Rents includes the amount of Euros 90,221,000 (2014: Euros 96,745,000) related to rents paid regarding buildings used by the Group as lessee.

The Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of Euros)

	2015			2014		
	Properties	**Vehicles**	**Total**	Properties	Vehicles	Total
Until 1 year	**88,819**	**1,289**	**90,108**	68,982	1,844	70,826
1 to 5 years	**99,652**	**942**	**100,594**	117,198	1,564	118,762
Over 5 years	**18,186**	**21**	**18,207**	17,816	7	17,823
	206,657	**2,252**	**208,909**	203,996	3,415	207,411

The caption Other specialised services includes the fees billed (VAT excluded) by the Bank's Statutory Auditor within its statutory functions, as well as other functions, are as follows:

(Thousands of Euros)

	2015	2014
Legal certification	**2,512**	2,598
Other assurance services	**1,337**	1,143
Other services	**1,145**	919
	4,994	4,660

12. DEPRECIATION

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
INTANGIBLE ASSETS		
Software	**13,681**	13,884
Other intangible assets	**357**	361
	14,038	14,245
PROPERTY, PLANT AND EQUIPMENT		
Land and buildings	**27,113**	27,520
Equipment		
Furniture	**2,064**	1,971
Machinery	**2,189**	2,257
Computer equipment	**8,941**	8,441
Interior installations	**2,542**	2,305
Motor vehicles	**4,897**	4,062
Security equipment	**2,412**	2,464
Other equipment	**2,426**	2,277
Other tangible assets	**1**	1
	52,585	51,298
	66,623	65,543

13. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
LOANS AND ADVANCES TO CREDIT INSTITUTIONS		
For overdue loans and credit risks		
Impairment charge for the year	**9**	2
Write-back for the year	**(10)**	(4)
	(1)	(2)
LOANS AND ADVANCES TO CUSTOMERS		
For overdue loans and credit risks		
Impairment charge for the year	**1,498,732**	1,420,435
Write-back for the year	**(635,981)**	(297,813)
Recovery of loans and interest charged-off	**(29,726)**	(15,630)
	833,025	1,106,992
	833,024	1,106,990

The caption 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).

14. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE		
Charge for the year	**56,675**	91,345

The caption 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 40,688,000 (2014: Euros 79,907,000), related to the investments held in restructuring funds, as described in note 58.

15. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
PROVISION FOR GUARANTEES AND OTHER COMMITMENTS		
Charge for the year	**10,774**	52,245
Write-back for the year	**(26,278)**	(14,198)
	(15,504)	38,047
OTHER PROVISIONS FOR LIABILITIES AND CHARGES		
Charge for the year	**40,979**	44,688
Write-back for the year	**(528)**	(1,262)
	40,451	43,426
	24,947	81,473

16. SHARE OF PROFIT OF ASSOCIATES UNDER THE EQUITY METHOD

The main contributions of the investments accounted for under the equity method to the Group's profit are analysed as follows:

(Thousands of Euros)

	2015	2014
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**8,186**	35,818
Unicre – Instituição Financeira de Crédito, S.A.	**5,267**	1,664
Banque BCP, S.A.S.	**2,972**	2,770
SIBS, S.G.P.S, S.A.	**2,494**	2,874
Banque BCP (Luxembourg), S.A.	**54**	82
VSC – Aluguer de Veículos Sem Condutor, Lda.	**45**	599
Other companies	**4,510**	(7,847)
	23,528	35,960

17. GAINS / (LOSSES) ARISING FROM THE SALE OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Disposal of the investments held in Ocidental – Companhia Portuguesa de Seguros, S.A. and in Médis – Companhia Portuguesa Seguros de Saúde, S.A.	**-**	69,390
Other assets	**(30,138)**	(23,945)
	(30,138)	45,445

The caption Gains / (losses) arising from the sale of subsidiaries and other assets corresponds to the gains and losses arising from the sale and revaluation of assets of the Group classified as non-current assets held for sale.

The caption Disposal of the investments held in Ocidental – Companhia Portuguesa de Seguros, S.A. and in Médis – Companhia Portuguesa Seguros de Saúde, S.A. corresponded in 2014 to the gain generated on the sale of 49% of the investments held in the referred insurance companies that operate exclusively in the non-life insurance business. This operation was carried out with Ageas international insurance Group.

18. INCOME /(LOSS) ARISING FROM DISCONTINUED OPERATIONS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
NET INCOME/(LOSS) BEFORE INCOME TAX APPROPRIATED		
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**1,463**	3,642
Gains arising from sale of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**13,529**	-
Banca Millennium S.A. (Romania)	**-**	(13,867)
Impairment for Banca Millennium S.A. (Romania)	**-**	(31,761)
Others	**-**	109
	14,992	(41,877)
TAXES		
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**(344)**	(991)
Banca Millennium S.A. (Romania)	**-**	2,056
Others	**-**	(18)
	(344)	1,047
	14,648	(40,830)

The Net income / (loss) before income tax appropriated includes the gain resulting from the sale concluded in May 2015, of the entire share capital of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A. to Corretaje e Información Monetária y de Divisas, S.A. ("Grupo CIMD"). In accordance with applicable accounting rules, the Group appropriated of the company's results during the four months ended 30 April, 2015.

In accordance with accounting policy described in note 1k), in 2014, the balance Impairment for Banca Millennium S.A. (Romania), corresponded to the impact arising from the difference between the estimated fair value less cost to sell of the subsidiary in accordance with the available information, and the respectively equity accounted in the consolidated financial statements of the BCP Group with reference to 31 December 2014. The sale of Banca Millennium was completed on the 8 January 2015.

19. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of Euros)

	2015	2014
Net income/(loss) from continuing operations	**220,696**	(185,790)
Gains/(losses) in equity instruments	**34,469**	-
Adjusted net income/(loss) from continuing operations	**255,165**	(185,790)
Net income/(loss) arising from discontinued operations	**14,648**	(40,830)
Net income/(loss)	**269,813**	(226,620)
Average number of shares	**56,888,944,247**	42,829,744,183
Basic earnings per share (Euros):		
from continuing operations	**0.005**	(0.004)
from discontinued operations	**0.000**	(0.001)
	0.005	(0.005)
Diluted earnings per share (Euros)		
from continuing operations	**0.005**	(0.004)
from discontinued operations	**0.000**	(0.001)
	0.005	(0.005)

The Bank's share capital amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

In June 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.

As at 31 December 2015 and 2014 in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), were not considered, in 2014, by presenting an antidilutive effect and in 2015 it is not defined the conversion value of the shares to be issued according to the decree 150-A / 2012 of 17 May which will be the basis for determining this effect.

20. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Cash	**625,311**	602,810
Central Banks		
Bank of Portugal	**171,367**	194,459
Central Banks abroad	**1,043,639**	910,178
	1,840,317	1,707,447

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 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.

21. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Credit institutions in Portugal	**1,632**	8,760
Credit institutions abroad	**675,415**	591,061
Amounts due for collection	**99,366**	195,953
	776,413	795,774

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group has the amount of Euros 464,759,000 (31 December 2014: Euros 0) of Loans and advances to credit institutions repayable on demand, granted as collateral on the mentioned transactions.

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

22. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Other loans and advances to Central Banks abroad	**71,934**	87,765
Other loans and advances to credit institutions in Portugal	**4,274**	18,268
Other loans and advances to credit institutions abroad	**845,442**	1,350,046
	921,650	1,456,079
Impairment for other loans and advances to credit institutions	**(2)**	(53)
	921,648	1,456,026

As at 31 December, 2015, the balance Other loans and advances to credit institutions abroad includes the amount of Euros 149,743,000 (31 December 2014: Euros 70,073,000) regarding loans and advances to companies controlled by members of the Board of Directors.

Following the signed agreements of derivative financial transactions with institutional counterparties, the Group has the amount of Euros 325,020,000 (31 December 2014: Euros 702,356,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

This balance is analysed by the period to maturity as follows:

(Thousands of Euros)

	2015	2014
Up to 3 months	**764,830**	1,143,977
3 to 6 months	**9,754**	13,651
6 to 12 months	**119,837**	128,709
1 to 5 years	**27,229**	169,742
	921,650	1,456,079

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**53**	202
Transfers	**(50)**	(143)
Impairment charge for the year	**9**	2
Write-back for the year	**(10)**	(4)
Exchange rate differences	**-**	(4)
BALANCE ON 31 DECEMBER	**2**	53

23. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Public sector	**1,226,557**	1,389,373
Asset-backed loans	**31,482,461**	30,777,956
Personal guaranteed loans	**8,243,543**	10,069,656
Unsecured loans	**3,230,128**	3,390,246
Foreign loans	**2,207,638**	2,543,534
Factoring	**1,573,033**	1,482,708
Finance leases	**3,351,665**	3,231,521
	51,315,025	52,884,994
Overdue loans – less than 90 days	**121,846**	94,547
Overdue loans – over 90 days	**4,001,372**	4,188,812
	55,438,243	57,168,353
Impairment for credit risk	**(3,468,084)**	(3,482,705)
	51,970,159	53,685,648

As at 31 December 2015, the balance Loans and advances to customers includes the amount of Euros 12,717,796,000 (31 December 2014: Euros 12,951,710,000) regarding mortgage loans which are allocated as collateral for asset-back securities, issued by the Group.

As referred in note 53, 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 2015 and as referred in note 58, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,584,372,000 (31 December 2014: Euros: 1,442,617,000). During 2015, the loans sold amounted to Euros 141,755,000 (2014: Euros 237,950,000).

As at 31 December 2015, shareholders holding individually or together with their affiliates 2% or more of the share capital, described in the Executive Board of Directors report and in note 41, to which the Group provides loans and/or guarantees, represents in aggregate 20.55% of the share capital (31 December 2014: 32.2%).

As at 31 December 2015, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 149,324,000 (31 December 2014: Euros 154,416,000), as referred in note 51 a). The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee. The amount of impairment recognised for these contracts amounts to Euros 904,000 as at 31 December 2015 (31 December 2014: Euros 783,000).

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of Euros)

	2014	2013
LOANS NOT REPRESENTED BY SECURITIES		
Discounted bills	**295,697**	353,128
Current account credits	**2,214,611**	2,543,984
Overdrafts	**1,589,253**	1,657,598
Loans	**15,141,524**	15,597,520
Mortgage loans	**25,179,816**	25,959,333
Factoring	**1,573,033**	1,482,708
Finance leases	**3,351,665**	3,231,521
	49,345,599	50,825,792
LOANS REPRESENTED BY SECURITIES		
Commercial paper	**1,655,569**	1,729,210
Bonds	**313,857**	329,992
	1,969,426	2,059,202
	51,315,025	52,884,994
Overdue loans – less than 90 days	**121,846**	94,547
Overdue loans – over 90 days	**4,001,372**	4,188,812
	55,438,243	57,168,353
Impairment for credit risk	**(3,468,084)**	(3,482,705)
	51,970,159	53,685,648

The analysis of loans and advances to customers, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**436,051**	429,887
Mining	**152,525**	207,428
Food, beverage and tobacco	**614,374**	582,472
Textiles	**469,481**	487,611
Wood and cork	**237,402**	221,308
Paper, printing and publishing	**214,094**	202,393
Chemicals	**818,068**	660,935
Machinery, equipment and basic metallurgical	**1,053,862**	1,018,095
Electricity, water and gas	**1,002,857**	1,096,016
Construction	**3,562,374**	4,097,247
Retail business	**1,249,026**	1,199,603
Wholesale business	**2,146,780**	2,165,597
Restaurants and hotels	**1,017,112**	1,222,994
Transports and communications	**1,972,592**	1,947,866
Services	**10,052,993**	10,714,045
Consumer credit	**4,138,491**	4,037,116
Mortgage credit	**25,048,344**	25,545,160
Other domestic activities	**7,713**	7,890
Other international activities	**1,244,104**	1,324,690
	55,438,243	57,168,353
Impairment for credit risk	**(3,468,084)**	(3,482,705)
	51,970,159	53,685,648

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)

	2015				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	129,842	119,247	142,610	44,352	436,051
Mining	83,382	45,442	13,118	10,583	152,525
Food, beverage and tobacco	360,817	150,611	83,589	19,357	614,374
Textiles	226,286	94,864	115,499	32,832	469,481
Wood and cork	100,332	64,477	54,348	18,245	237,402
Paper, printing and publishing	67,388	81,440	53,362	11,904	214,094
Chemicals	400,657	197,594	147,137	72,680	818,068
Machinery, equipment and basic metallurgical	481,767	328,211	164,599	79,285	1,053,862
Electricity, water and gas	138,307	270,857	589,299	4,394	1,002,857
Construction	1,338,008	462,390	686,870	1,075,106	3,562,374
Retail business	496,255	308,039	289,034	155,698	1,249,026
Wholesale business	1,127,657	600,476	235,820	182,827	2,146,780
Restaurants and hotels	127,766	209,856	550,960	128,530	1,017,112
Transports and communications	564,557	664,588	592,810	150,637	1,972,592
Services	3,196,363	2,573,803	3,100,689	1,182,138	10,052,993
Consumer credit	1,005,067	1,816,806	706,169	610,449	4,138,491
Mortgage credit	367,141	1,342,183	23,023,060	315,960	25,048,344
Other domestic activities	9	10	3	7,691	7,713
Other international activities	515,798	289,835	417,921	20,550	1,244,104
	10,727,399	9,620,729	30,966,897	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:

(Thousands of Euros)

	2015				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	1,141,647	62,081	22,829	15	1,226,572
Asset-backed loans	3,225,136	5,199,973	23,057,352	2,390,948	33,873,409
Personal guaranteed loans	1,607,641	1,930,864	4,705,038	450,426	8,693,969
Unsecured loans	2,132,824	991,027	106,277	1,009,618	4,239,746
Foreign loans	691,944	289,721	1,225,973	61,933	2,269,571
Factoring	1,531,041	40,901	1,091	25,455	1,598,488
Finance leases	397,166	1,106,162	1,848,337	184,823	3,536,488
	10,727,399	9,620,729	30,966,897	4,123,218	55,438,243

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	181,259	86,516	140,004	22,108	429,887
Mining	107,922	74,100	16,094	9,312	207,428
Food, beverage and tobacco	307,675	147,752	107,831	19,214	582,472
Textiles	247,391	94,232	107,330	38,658	487,611
Wood and cork	88,766	65,022	31,769	35,751	221,308
Paper, printing and publishing	64,524	74,011	51,441	12,417	202,393
Chemicals	256,814	211,721	128,640	63,760	660,935
Machinery, equipment and basic metallurgical	469,044	297,141	177,450	74,460	1,018,095
Electricity, water and gas	166,293	309,990	604,125	15,608	1,096,016
Construction	1,436,953	803,450	740,232	1,116,612	4,097,247
Retail business	444,068	304,529	273,789	177,217	1,199,603
Wholesale business	1,176,774	527,057	261,238	200,528	2,165,597
Restaurants and hotels	163,034	207,254	583,223	269,483	1,222,994
Transports and communications	487,581	692,640	637,718	129,927	1,947,866
Services	4,080,470	2,627,228	2,884,694	1,121,653	10,714,045
Consumer credit	947,104	1,683,206	769,315	637,491	4,037,116
Mortgage credit	273,169	1,016,433	23,959,703	295,855	25,545,160
Other domestic activities	104	229	288	7,269	7,890
Other international activities	492,431	399,480	396,743	36,036	1,324,690
	11,391,376	9,621,991	31,871,627	4,283,359	57,168,353

The analysis of loans and advances to customers, by type of credit and by maturity, as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	1,192,145	144,068	53,160	79	1,389,452
Asset-backed loans	1,576,517	5,070,418	24,131,021	2,201,562	32,979,518
Personal guaranteed loans	3,627,052	2,156,140	4,286,464	755,769	10,825,425
Unsecured loans	2,259,232	841,974	289,040	951,307	4,341,553
Foreign loans	1,000,393	347,721	1,195,420	93,797	2,637,331
Factoring	1,420,906	18,396	43,406	33,733	1,516,441
Finance leases	315,131	1,043,274	1,873,116	247,112	3,478,633
	11,391,376	9,621,991	31,871,627	4,283,359	57,168,353

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.

Securitization transactions engaged by the Group refer to mortgage loans and are set through specifically created SPE. As at 31 December 2015, the loans and advances referred to these traditional securitization transactions amounts to Euros 586,633,000 (31 December 2014: Euros 641,456,000). As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated.

As at 31 December 2015, the securitization operations are detailed as follows:

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). The total assets of the SPE associated with this operation amounts to Euros 422,259,000 and the nominal value of liabilities amounts to Euros 436,402,000.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE "Magellan Mortgages No. 2 PLC". Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). The total assets of the SPE associated with this operation amounts to Euros 164,374,000 and the nominal value of liabilities amounts to Euros 177,235,000.

Caravela SME No. 3

The synthetic securitization "Caravela SME No.3" amounts to Euros 2,417,154,000.

Caravela SME No. 4

The synthetic securitization "Caravela SME No.4" amounts to Euros 1,060,382,000.

The Group's credit portfolio, which includes further than loans 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)

	2015	2014
Total loans	**60,675,358**	62,651,250
LOANS AND ADVANCES TO CUSTOMERS WITH SIGNS OF IMPAIRMENT		
INDIVIDUALLY SIGNIFICANT		
Gross amount	**7,634,583**	7,897,946
Impairment	**(2,192,931)**	(2,455,958)
	5,441,652	5,441,988
COLLECTIVE ANALYSIS		
Gross amount	**4,443,180**	3,616,411
Impairment	**(1,207,337)**	(1,077,572)
	3,235,843	2,538,839
Loans and advances to customers without signs of impairment	**48,597,595**	51,136,893
Impairment (IBNR)	**(142,526)**	(199,333)
	57,132,564	58,918,387

The balance Total loans includes the loans and advances to customers and the guarantees granted and commitments to third parties balance (see note 46), in the amount of Euros 5,237,115,000 (31 December 2014: Euros 5,482,897,000).

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 38), in the amount of Euros 74,710,000 (31 December 2014: Euros 250,158,000).

The fair values of collaterals related to the loan portfolios is analysed as follows:

(Thousands of Euros)

	2015	2014
LOANS AND ADVANCES TO CUSTOMERS WITH IMPAIRMENT		
INDIVIDUALLY SIGNIFICANT		
Securities and other financial assets	**550,174**	1,202,159
Home mortgages	**596,331**	963,133
Other real estate	**1,496,490**	2,264,036
Other guarantees	**552,548**	967,525
	3,195,543	5,396,853
COLLECTIVE ANALYSIS		
Securities and other financial assets	**36,793**	26,938
Home mortgages	**2,057,815**	1,661,317
Other real estate	**384,543**	288,090
Other guarantees	**165,466**	82,265
	2,644,617	2,058,610
LOANS AND ADVANCES TO CUSTOMERS WITHOUT IMPAIRMENT		
Securities and other financial assets	**2,025,790**	2,015,005
Home mortgages	**21,901,517**	22,797,031
Other real estate	**3,582,927**	3,266,470
Other guarantees	**3,941,082**	3,733,437
	31,451,316	31,811,943
	37,291,476	39,267,406

Considering the Group's risk management policy, the amounts shown do not include the fair value of personal guarantees provided by customers with lower risk notation.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of evaluation 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:

(Thousands of Euros)

	2015	2014
Gross amount	**3,793,994**	3,718,449
Interest not yet due	**(442,329)**	(486,928)
NET BOOK VALUE	**3,351,665**	3,231,521

The analysis of financial lease contracts, by type of client, is presented as follows:

(Thousands of Euros)

	2015	2014
INDIVIDUALS		
Home	**75,661**	82,908
Consumer	**35,940**	36,440
Others	**133,211**	149,579
	244,812	268,927
COMPANIES		
Equipment	**1,382,649**	1,199,975
Mortgage	**1,724,204**	1,762,619
	3,106,853	2,962,594
	3,351,665	3,231,521

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 restructured loans, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**33,162**	18,710
Mining	**156**	122
Food, beverage and tobacco	**1,438**	5,276
Textiles	**943**	1,227
Wood and cork	**13,706**	4,317
Paper, printing and publishing	**3,541**	3,599
Chemicals	**1,791**	1,613
Machinery, equipment and basic metallurgical	**34,997**	32,661
Electricity, water and gas	**487**	988
Construction	**48,429**	51,475
Retail business	**10,005**	7,796
Wholesale business	**29,696**	31,760
Restaurants and hotels	**1,647**	1,995
Transports and communications	**6,957**	4,822
Services	**18,874**	75,317
Consumer credit	**108,939**	92,535
Mortgage credit	**91,900**	78,159
Other domestic activities	**26**	9
Other international activities	**8,112**	11,657
	414,806	424,038

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 182,839,000 (31 December 2014: Euros 158,221,000).

Additionally, the portfolio includes loans that, based on the customer's financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 3,778,575,000 (31 December 2014: Euros 4,583,597,000) with an impairment of Euros 499,307,000 (31 December 2014: Euros 594,611,000).

The analysis of overdue loans, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**44,352**	22,108
Mining	**10,583**	9,312
Food, beverage and tobacco	**19,357**	19,214
Textiles	**32,832**	38,658
Wood and cork	**18,245**	35,751
Paper, printing and publishing	**11,904**	12,417
Chemicals	**72,680**	63,760
Machinery, equipment and basic metallurgical	**79,285**	74,460
Electricity, water and gas	**4,394**	15,608
Construction	**1,075,106**	1,116,612
Retail business	**155,698**	177,217
Wholesale business	**182,827**	200,528
Restaurants and hotels	**128,530**	269,483
Transports and communications	**150,637**	129,927
Services	**1,182,138**	1,121,653
Consumer credit	**610,449**	637,491
Mortgage credit	**315,960**	295,855
Other domestic activities	**7,691**	7,269
Other international activities	**20,550**	36,036
	4,123,218	4,283,359

The analysis of overdue loans, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Public sector	**15**	79
Asset-backed loans	**2,390,948**	2,201,562
Personal guaranteed loans	**450,426**	755,769
Unsecured loans	**1,009,618**	951,307
Foreign loans	**61,933**	93,797
Factoring	**25,455**	33,733
Finance leases	**184,823**	247,112
	4,123,218	4,283,359

The changes occurred in impairment for credit risk are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**3,482,705**	3,420,059
Transfers resulting from changes in the Group's structure	**-**	(28,020)
Other transfers	**47,210**	(63,180)
Impairment charge for the year	**1,498,732**	1,420,435
Write-back for the year	**(635,981)**	(297,813)
Loans charged-off	**(907,431)**	(969,006)
Exchange rate differences	**(17,151)**	230
BALANCE ON 31 DECEMBER	**3,468,084**	3,482,705

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)

	2015	2014
Agriculture	**59,971**	42,398
Mining	**11,639**	12,186
Food, beverage and tobacco	**17,103**	19,285
Textiles	**25,712**	26,145
Wood and cork	**42,976**	32,237
Paper, printing and publishing	**21,142**	14,707
Chemicals	**56,619**	54,057
Machinery, equipment and basic metallurgical	**55,029**	66,419
Electricity, water and gas	**20,756**	10,561
Construction	**359,096**	685,947
Retail business	**109,730**	139,861
Wholesale business	**157,755**	193,361
Restaurants and hotels	**75,881**	151,605
Transports and communications	**206,169**	113,661
Services	**1,417,967**	1,074,482
Consumer credit	**330,824**	414,983
Mortgage credit	**416,542**	328,891
Other domestic activities	**6,080**	33,134
Other international activities	**77,093**	68,785
	3,468,084	3,482,705

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousands of Euros)

	2015	2014
Public sector	**1,420**	2,002
Asset-backed loans	**1,667,164**	1,682,257
Personal guaranteed loans	**490,236**	549,823
Unsecured loans	**1,020,381**	925,467
Foreign loans	**82,998**	110,790
Factoring	**37,485**	29,512
Finance leases	**168,400**	182,854
	3,468,084	3,482,705

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**3,836**	1,120
Mining	**320**	279
Food, beverage and tobacco	**3,805**	7,497
Textiles	**10,303**	10,468
Wood and cork	**11,144**	11,584
Paper, printing and publishing	**1,909**	27,259
Chemicals	**6,101**	14,994
Machinery, equipment and basic metallurgical	**9,058**	13,771
Electricity, water and gas	**660**	188
Construction	**230,616**	230,711
Retail business	**30,869**	50,367
Wholesale business	**62,916**	49,888
Restaurants and hotels	**38,383**	14,868
Transports and communications	**183,140**	16,993
Services	**172,880**	381,442
Consumer credit	**101,270**	128,325
Mortgage credit	**16,973**	6,359
Other domestic activities	**18,465**	841
Other international activities	**4,783**	2,052
	907,431	969,006

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, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Asset-backed loans	**58,860**	60,222
Personal guaranteed loans	**22,871**	41,930
Unsecured loans	**800,877**	790,391
Foreign loans	**19,887**	61,582
Factoring	**1,041**	1,315
Finance leases	**3,895**	13,566
	907,431	969,006

The analysis of recovered loans and interest, during 2015 and 2014, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**93**	93
Mining	**1**	80
Food, beverage and tobacco	**302**	151
Textiles	**486**	248
Wood and cork	**270**	236
Paper, printing and publishing	**13**	197
Chemicals	**315**	243
Machinery, equipment and basic metallurgical	**474**	1,267
Electricity, water and gas	**7**	25
Construction	**17,950**	1,555
Retail business	**424**	692
Wholesale business	**891**	1,078
Restaurants and hotels	**67**	241
Transports and communications	**142**	248
Services	**2,529**	3,287
Consumer credit	**5,565**	5,740
Mortgage credit	**8**	-
Other domestic activities	**171**	190
Other international activities	**18**	59
	29,726	15,630

The analysis of recovered loans and interest during 2015 and 2014, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Asset-backed loans	**116**	-
Personal guaranteed loans	**1,595**	981
Unsecured loans	**27,884**	14,283
Foreign loans	**68**	294
Factoring	**1**	-
Finance leases	**62**	72
	29,726	15,630

24. 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)

	2015	2014
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by public entities	**7,201,261**	5,674,624
Issued by other entities	**2,376,286**	1,716,746
	9,577,547	7,391,370
Overdue securities	**4,078**	4,083
Impairment for overdue securities	**(4,075)**	(4,077)
	9,577,550	7,391,376
SHARES AND OTHER VARIABLE INCOME SECURITIES	**1,617,348**	1,464,597
	11,194,898	8,855,973
TRADING DERIVATIVES	**924,955**	1,081,492
	12,119,853	9,937,465

The balance Trading derivatives included, as at 31 December 2015, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 47,000 (31 December 2014: Euros 3,000).

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 2015, is analysed as follows:

(Thousands 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 DERIVATIVES	924,955	-	-	924,955
	1,188,805	152,018	10,779,030	12,119,853
Level 1	318,315	152,018	6,949,116	7,419,449
Level 2	672,489	-	2,149,370	2,821,859
Level 3	178,854	-	1,608,837	1,787,691
Financial assets at cost	19,147	-	71,707	90,854

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 2014, is analysed as follows:

(Thousands of Euros)

	2014			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME				
Bonds issued by public entities				
Portuguese issuers	193,972	-	1,812,499	2,006 471
Foreign issuers	291,829	-	1,948,834	2,240 663
Bonds issued by other entities				
Portuguese issuers	1,072	-	884,740	885,812
Foreign issuers	89,866	-	745,151	835,017
Treasury bills and other Government bonds	-	-	1,427,490	1,427,490
	576,739	-	6,818,714	7,395,453
Impairment for overdue securities	-	-	(4,077)	(4,077)
	576,739	-	6,814,637	7,391,376
VARIABLE INCOME:				
Shares in Portuguese companies	13,555	-	83,635	97,190
Shares in foreign companies	187	-	26,204	26,391
Investment fund units	1,244	-	1,338,749	1,339,993
Other securities	1,023	-	-	1,023
	16,009	-	1,448,588	1,464,597
TRADING DERIVATIVES	1,081,492	-	-	1,081,492
	1,674,240	-	8,263,225	9,937,465
Level 1	668,595	-	5,009,841	5,678,436
Level 2	991,304	-	1,782,205	2,773,509
Level 3	9	-	1,375,926	1,375,935
Financial assets at cost	14,332	-	95,253	109,585

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

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 referred in note 43. As at 31 December 2015, the amount of fair value reserves of Euros 43,222,000 (31 December 2014: Euros 177,879,000) is presented net of impairment losses in the amount of Euros 317,423,000 (31 December 2014: Euros 287,106,000).

As referred in the accounting policy note 1 f) the Group performed reclassifications of Financial instruments, during the first semester of 2010.

For instruments classified within level 3, in 2015 were recorded in Gains arising from financial assets available for sale the amount of Euros 4,552,000 (2014: Euros: 935,000).

During 2015, the Group reclassified Government bonds, from the portfolio of financial assets held to maturity to the portfolio of financial assets available for sale, in the amount of Euros 1,742,354,000, whose market value, at the date of the transfer, was Euros 2,024,570,000. The decision comes as part of the process of strengthening the Group's capital ratios, according to the strategy set by the Board of Directors to meet the challenges posed by the prudential determinations of the ECB and implied the reclassification on the date of decision, of all the securities portfolio of public debt recorded at the portfolio of securities held to maturity. Under the scope of IAS 39, considering its characteristics and the applicable framework (IAS 39 AG22 e)), this situation did not imply the tainting of the remaining held to maturity portfolio. During 2015, and as mentioned in note 7, part of these securities were sold.

As mentioned in note 58, the balance Variable income – investment fund units includes the amount of Euros 1,352,163,000 (31 December 2014: Euros 1,267,071,000) related to participation units of funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 35,441,000 (31 December 2014: Euros 35,441,000) refers to junior tranches (bonds with a more subordinated nature), which are fully impaired. The instruments are valued according to the quotations published by Funds Management Companies.

The portfolio of financial assets available for sale, as at 31 December 2015, is analysed as follows:

(Thousands 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 available for sale, as at 31 December 2014, is analysed as follows:

(Thousands of Euros)

	2014					
	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	1,729,783	-	1,729,783	67,645	15,071	1,812,499
Foreign issuers	1,936,685	-	1,936,685	12,149	-	1,948,834
Bonds issued by other entities						
Portuguese issuers	892,562	(69,566)	822,996	57,134	533	880,663
Foreign issuers	731,325	-	731,325	13,826	-	745,151
Treasury bills and other Government bonds	1,427,411	(5)	1,427,406	84	-	1,427,490
	6,717,766	(69,571)	6,648,195	150,838	15,604	6,814,637
VARIABLE INCOME						
Shares in Portuguese companies	162,311	(82,589)	79,722	3,913	-	83,635
Shares in foreign companies	26,104	(191)	25,913	291	-	26,204
Investment fund units	1,450,667	(134,755)	1,315,912	22,837	-	1,338,749
	1,639,082	(217,535)	1,421,547	27,041	-	1,448,588
	8,356,848	(287,106)	8,069,742	177,879	15,604	8,263,225

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				
	Level 1	Level 2	Level 3	Financial instruments at cost	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	71,866	7,076	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	89,045	23,930	9,581,625
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	7,317,784	2,150,866	89,045	19,855	9,577,550
VARIABLE INCOME:					
Shares in Portuguese companies	24,203	1,148	13,550	47,479	86,380
Shares in foreign companies	390	335	68,249	21,342	90,316
Investment fund units	200	14	1,438,001	2,178	1,440,393
Other securities	259	-	-	-	259
	25,052	1,497	1,519,800	70,999	1,617,348
TRADING DERIVATIVES	76,613	669,496	178,846	-	924,955
	7,419,449	2,821,859	1,787,691	90,854	12,119,853

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 2014, by valuation levels, is analysed as follows:

(Thousands of Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
FIXED INCOME					
Bonds issued by public entities					
Portuguese issuers	2,006,471	-	-	-	2,006,471
Foreign issuers	1,815,343	425,320	-	-	2,240,663
Bonds issued by other entities					
Portuguese issuers	679,326	196,584	5,825	4,077	885,812
Foreign issuers	257,963	577,048	-	6	835,017
Treasury bills and other Government bonds	814,946	590,694	21,850	-	1,427,490
	5,574,049	1,789,646	27,675	4,083	7,395,453
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	5,574,049	1,789,646	27,675	6	7,391,376
VARIABLE INCOME					
Shares in Portuguese companies	4,055	983	10,623	81,529	97,190
Shares in foreign companies	63	441	-	25,887	26,391
Investment fund units	193	-	1,337,637	2,163	1,339,993
Other securities	1,023	-	-	-	1,023
	5,334	1,424	1,348,260	109,579	1,464,597
TRADING DERIVATIVES	99,053	982,439	-	-	1,081,492
	5,678,436	2,773,509	1,375,935	109,585	9,937,465

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

During 2015, reclassifications were made from level 2 to level 1 in the amount of Euros 51,247,000 (31 December 2014: Euros 79,419,000) related to securities that became complied with the requirements of this level, as described in note 49.

The assets classified as level 3, in the amount of Euros 1,438,001,000 (31 December 2014: Euros 1,337,637,000) includes units of closed--ended investment funds valued in accordance with 'Net assets attributable to unit holders' (NAV) quote determined by the management company and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / – 10 % of the NAV has an impact of Euros 143,800,000 (31 December 2014: Euros 133,764,000) in Equity (Fair value reserves).

In addition, the assets classified as level 3 also include the value of the investment held by the Banco Comercial Português, S.A. and Bank Millennium, S.A. (Poland) in Visa Europe Limited in the amount of Euros 68,248,000, as a result of their valuation for the current transaction Visa International, as referred in notes 43 and 48.

The instruments classified as level 3 have associated gains and unrealized losses in the amount of Euros 96,285,000 (31 December 2014: Euros 25,088,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 230,781,000 as at 30 December 2015 (31 December 2014: Euros 152,109,000) and were not generated capital gains or losses in the year. No transfers were made to and from this level.

The reclassifications performed in prior years until 31 December 2015 are analysed as follows:

(Thousands of Euros)

	At the reclassification date		2015		
	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	2,713,524	2,713,524	**87,900**	**92,226**	**4,326**
Financial assets held to maturity	695,020	695,020	**141,061**	**140,072**	**(989)**
			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 financial assets reclassified in prior years, 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	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:

(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:				
Loans represented by securities	-	-	4,326	4,326
Financial assets held to maturity	-	-	(989)	(989)
	(55,304)	48,968	3,282	(3,054)

As at 31 December 2014, this reclassification is analysed as follows:

(Thousands of Euros)

	At the reclassification date		2014		
	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	18,213	18,213	-
Financial assets held to maturity	2,144,892	2,144,892	698,421	745,776	47,355
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:					
Loans represented by securities	2,713,524	2,713,524	123,038	127,237	4,199
Financial assets held to maturity	627,492	627,492	73,151	80,294	7,143
			912,823	971,520	58,697

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2014, related to reclassified financial assets, are analysed as follows:

(Thousands of Euros)

	Income statement	Changes	
	Interest	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:			
Financial assets available for sale	826	4,411	5,237
Financial assets held to maturity	30,443	-	30,443
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	4,653	5	4,658
Financial assets held to maturity	10,418	(6,709)	3,709
	46,340	(2,293)	44,047

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2014 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	4,411	(2,798)	(1,613)	-
Financial assets held to maturity	81,930	(34,575)	-	47,355
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Loans represented by securities	-	-	4,199	4,199
Financial assets held to maturity	-	-	7,143	7,143
	86,341	(37,373)	9,729	58,697

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**287,106**	151,535
Transfers	**5,640**	52,201
Impairment against profit and loss	**56,676**	91,345
Write-back against fair value reserves	**(9,097)**	60
Loans charged-off	**(22,867)**	(8,035)
Exchange rate differences	**(35)**	-
BALANCE ON 31 DECEMBER	**317,423**	287,106

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 sector of activity, as at 31 December 2015, is as follows:

(Thousands 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					1,440,395	1,440,395
Other securities					259	259
					1,617,348	1,617,348
	1,631,112	1,114,908	3,491,773	3,339,754	1,617,351	11,194,898

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014					
	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	21	82,644	1,111,230	812,576	-	2,006,471
Foreign issuers	20,453	119,109	1,949,390	151,711	-	2,240,663
Bonds issued by other entities						
Portuguese issuers	7,176	86,719	511,911	275,929	4,077	885,812
Foreign issuers	561,639	19,597	68,312	185,463	6	835,017
Treasury bills and other Government bonds	274,372	1,134,971	13,417	4,730	-	1,427,490
	863,661	1,443,040	3,654,260	1,430,409	4,083	7,395,453
Impairment for overdue securities	-	-	-	-	(4,077)	(4,077)
	863,661	1,443,040	3,654,260	1,430,409	6	7,391,376
VARIABLE INCOME						
Companies' shares						
Portuguese companies					97,190	97,190
Foreign companies					26,391	26,391
Investment fund units					1,339,993	1,339,993
Other securities					1,023	1,023
					1,464,597	1,464,597
	863,661	1,443,040	3,654,260	1,430,409	1,464,603	8,855,973

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				
	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
Transport and communications	480,875	35,403	-	-	516,278
Services	1,854,171	116,353	1,439,800	1	3,410,325
Other international activities	-	4	854	-	858
	2,376,286	176,694	1,440,654	4,078	3,997,712
Government and Public securities	5,986,715	-	1,214,546	-	7,201,261
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	8,363,001	176,694	2,655,200	3	11,194,898

The 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 2014 is as follows:

(Thousands of Euros)

	2014				
	Bonds	Shares	Other financial assets	Overdue securities	Total
Food, beverage and tobacco	-	-	-	6	6
Textiles	-	7,403	-	361	7,764
Wood and cork	-	501	-	998	1,499
Paper, printing and publishing	13,040	37	-	-	13,077
Chemicals	-	11	-	-	11
Machinery, equipment and basic metallurgical	-	10	-	-	10
Electricity, water and gas	-	8	-	-	8
Construction	-	952	-	2,540	3,492
Retail business	-	127	-	-	127
Wholesale business	-	983	-	176	1,159
Restaurants and hotels	-	69	-	-	69
Transport and communications	365,060	47,139	-	-	412,199
Services	1,338,646	66,341	1,339,992	2	2,744,981
Other international activities	-	-	1,024	-	1,024
	1,716,746	123,581	1,341,016	4,083	3,185,426
Government and Public securities	4,247,134	-	1,427,490	-	5,674,624
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	5,963,880	123,581	2,768,506	6	8,855,973

The Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities.

The analysis of trading derivatives, by maturity, as at 31 December 2015, is as follows:

(Thousands of Euros)

	2015					
	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:						
Forward rate agreement	-	762,213	-	762,213	106	8
Interest rate swaps	1,678,530	1,804,361	11,818,664	15,301,555	561,728	533,477
Interest rate options (purchase)	825	20,309	156,714	177,848	1,373	-
Interest rate options (sale)	1	219,709	156,714	376,424	-	596
Other interest rate contracts	299,010	125,807	121,478	546,295	44,519	48,776
	1,978,366	2,932,399	12,253,570	17,164,335	607,726	582,857
Stock Exchange transactions:						
Interest rate futures	31,022	55,112	-	86,134	-	-
CURRENCY DERIVATIVES						
OTC Market:						
Forward exchange contract	484,876	183,025	29,811	697,712	4,560	5,982
Currency swaps	2,196,977	254,136	2,443	2,453,556	30,680	26,195
Currency options (purchase)	13,680	22,828	-	36,508	804	-
Currency options (sale)	11,344	24,586	-	35,930	-	841
	2,706,877	484,575	32,254	3,223,706	36,044	33,018
SHARES/DEBT INSTRUMENTS DERIVATIVES						
OTC Market:						
Shares/indexes swaps	360,291	1,794,535	1,544,975	3,699,801	3,625	15,666
Shares/indexes options (sale)	-	-	2,067	2,067	-	4,500
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

The analysis of trading derivatives, by maturity, as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014					
	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:						
Forward rate agreements	-	608,443	-	608,443	115	-
Interest rate swaps	874,722	2,335,806	13,833,535	17,044,063	721,128	744,093
Interest rate options (purchase)	129,200	171,218	62,403	362,821	759	-
Interest rate options (sale)	129,200	170,373	62,403	361,976	-	2,082
Other interest rate contracts	2,389	16,953	105,027	124,369	48,167	48,170
	1,135,511	3,302,793	14,063,368	18,501,672	770,169	794,345
Stock Exchange transactions:						
Interest rate futures	16,473	15,649	-	32,122	-	-
CURRENCY DERIVATIVES						
OTC Market:						
Forward exchange contract	273,708	116,515	27,565	417,788	5,035	4,784
Currency swaps	2,391,730	201,778	16,089	2,609,597	59,084	18,738
Currency options (purchase)	6,264	1,429	-	7,693	27	-
Currency options (sale)	4,846	1,429	-	6,275	-	17
	2,676,548	321,151	43,654	3,041,353	64,146	23,539
SHARES/DEBT INSTRUMENTS DERIVATIVES						
OTC Market:						
Shares/indexes swaps	123,731	680,084	1,133,972	1,937,787	4,347	11,673
Shares/indexes options (sale)	13,728	-	2,067	15,795	-	-
Other shares/indexes options (purchase)	-	-	-	-	8,316	-
	137,459	680,084	1,136,039	1,953,582	12,663	11,673
Stock Exchange transactions:						
Shares futures	323,450	-	-	323,450	-	-
Shares/indexes options (purchase)	253,464	280,694	313,889	848,047	99,053	-
Shares/indexes options (sale)	10,324	20,592	98,287	129,203	-	98,880
	587,238	301,286	412,176	1,300,700	99,053	98,880
COMMODITY DERIVATIVES						
Stock exchange transactions:						
Commodities futures	30,312	-	-	30,312	-	-
CREDIT DERIVATIVES						
OTC Market:						
Credit Default Swaps	5,000	-	2,788,640	2,793,640	135,458	24,163
Other credit derivatives (sale)	-	-	14,099	14,099	-	-
	5,000	-	2,802,739	2,807,739	135,458	24,163
TOTAL FINANCIAL INSTRUMENTS TRADED IN						
OTC Market	3,954,518	4,304,028	18,045,800	26,304,346	982,436	853,720
Stock Exchange	634,023	316,935	412,176	1,363,134	99,053	98,880
Embedded derivatives					3	369
	4,588,541	4,620,963	18,457,976	27,667,480	1,081,492	952,969

25. HEDGING DERIVATIVES

This balance is analysed as follows:

(Thousands of Euros)

	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
HEDGING INSTRUMENTS				
Swaps	**72,957**	**541,230**	75,325	352,543
Others	**170**	**-**	-	-
	73,127	**541,230**	75,325	352,543

Hedging derivatives 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 derivatives are classified in level 2. The Group applies derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year of a positive amount of Euros 961,000 (31 December 2014: positive amount of Euros 9,240,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for 2015 of a negative amount of Euros 1,038,000 (31 December 2014: negative amount of Euros 2,373,000).

During 2015, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 912,000. In 2014, no reclassifications were made from fair value reserves to results, related to cash flow hedge relationships.

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	2015	2014
Loans	**5,647**	3,279
Deposits	**(32,530)**	(34,277)
Debt issued	**(68,565)**	(97,190)
	(95,448)	(128,188)

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2015, is as follows:

(Thousands 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 INTEREST RATE RISK CHANGES						
OTC Market:						
Interest rate swaps	46,905	299,022	5,852,443	6,198,370	9,338	142
CASH FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES:						
OTC Market:						
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:						
Interest rate swaps	60,827	236,006	253,666	550,499	14,276	283
TOTAL FINANCIAL INSTRUMENTS TRADE BY:						
OTC Market	1,093,804	1,964,228	11,267,390	14,325,422	73,127	541,230

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2014, is as follows::

(Thousands of Euros)

	2014					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1year	Total	Assets	Liabilities
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES						
OTC Market:						
Interest rate swaps	53,052	674,594	1,372,693	2,100,339	51,630	27,207
Other interest rate contracts	-	-	119,243	119,243	-	19,773
	53,052	674,594	1,491,936	2,219,582	51,630	46,980
CASH FLOW HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES						
OTC Market:						
Interest rate swaps	77,225	129,879	2,101,797	2,308,901	6,072	58
Others interest rate contracts	885,636	186,642	3,286,106	4,358,384	1,118	304,364
	962,861	316,521	5,387,903	6,667,285	7,190	304,422
CASH FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES						
OTC Market:						
Forward exchange contract	7,294	3,437	-	10,731	108	1,141
HEDGING DERIVATIVES RELATED TO NET INVESTMENT IN FOREIGN OPERATIONS						
OTC Market:						
Interest rate swaps	-	77,388	394,926	472,314	16,397	-
TOTAL FINANCIAL INSTRUMENTS TRADE BY:						
OTC Market	1,023,207	1,071,940	7,274,765	9,369,912	75,325	352,543

26. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity is analysed as follows:

(Thousands of Euros)

	2015	2014
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by Government and public entities	**118,125**	1,917,366
Issued by other entities	**376,766**	393,815
	494,891	2,311,181

As at 31 December 2015, the balance Financial assets held to maturity also includes the amount of Euros 236,866,000 (31 December 2014: Euros 698,421,000) 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 24.

As at 31 December 2015, the balance Financial assets held to maturity also includes the amount of Euros 73,533,000 (31 December 2014: Euros 73,151,000) related to non derivatives financial assets (bonds) reclassified in previous years from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 24.

During 2015, the Group reclassified Government bonds, from the portfolio of financial assets held to maturity for the portfolio of financial assets available for sale, in the amount of Euros 1,742,354,000, whose market value, at the date of transfer, was Euros 2,024,570,000. The decision comes as part of the process of strengthening the Group's capital ratios, according to the strategy set by the Board of Directors to meet the new challenges posed by the prudential determinations of the ECB and implied the reclassification on the date of decision, of all the securities portfolio of public debt recorded in the portfolio of securities held to maturity. Under the scope of IAS 39, considering its characteristics and the applicable framework (IAS 39 AG22 e)), this situation did not imply the tainting of the remaining held to maturity portfolio. During 2015, and as mentioned in note 7, part of these securities were sold.

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
OT Angola 7.5 PCT 12/15.03.2016	Angola	March, 2016	7.500%	3,825	3,929	3,969
OT Angola 7 PCT 15/15.06.2017	Angola	June, 2017	7.000%	6,501	6,484	5,956
OT Angola 7.75 PCT 13/09.10.2017	Angola	October, 2017	7.500%	1,696	1,749	1,606
OT Angola 8 PCT 13/23.10.2017	Angola	October, 2017	7.500%	7,803	8,057	7,385
OT Angola 7.25 PCT 15/15.06.2018	Angola	June, 2018	7.250%	6,501	6,449	5,639
OT Angola 8 PCT 13/09.10.2018	Angola	October, 2018	7.750%	1,696	1,762	1,551
OT Angola 8.25 PCT 13/23.10.2018	Angola	October, 2018	7.750%	13,568	14,115	12,412
OT Angola 7.50 PCT 15/15.06.2018	Angola	June, 2019	7.500%	6,501	6,389	5,409
OT Angola 7.7 PCT 15/15.06.2020	Angola	June, 2020	7.700%	6,501	6,294	5,207
OT Angola 8 PCT 15/15.06.2021	Angola	June, 2021	8.000%	6,501	6,206	5,094
OT Angola 8.25 PCT 15/15.06.2022	Angola	June, 2022	8.250%	6,502	6,094	4,998
					118,125	115,817
ISSUED BY OTHER ENTITIES						
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,190	82,100
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.053%	40,000	38,968	31,773
Stcp 00/05.06.2022 – 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	-0.044%	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.412%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.032%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.472%	17,800	17,821	14,187
					376,766	367,008
					494,891	482,825

As at 31 December 2014, 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						
OT 3.5 Pct 10/25.03.2015	Portugal	March, 2015	3.500%	82,366	83,115	83,324
OT 3.85% 05/15.04.2021	Portugal	April, 2021	3.850%	135,000	142,109	153,460
OT 4.45 Pct 08/15.06.2018	Portugal	June, 2018	4.450%	1,436,762	1,427,953	1,628,905
OT 4.75 Pct 09/14.06.2019	Portugal	June, 2019	4.750%	10,000	10,057	11,657
OT 4.8 Pct 10/15.06.2020	Portugal	June, 2020	4.800%	150,000	150,799	177,799
OT 4.95 Pct 08/25.10.2023	Portugal	October, 2023	4.950%	50,000	52,866	59,636
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,467	57,520
					1,917,366	2,172,301
ISSUED BY OTHER ENTITIES						
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	73,810	80,953
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.311%	40,000	38,920	31,338
Stcp 00/05.06.2022- 100Mios Call Semest.a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	0.183%	100,000	98,250	87,365
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,156	55,235
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.622%	87,516	87,541	85,812
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.242%	26,300	26,315	23,019
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.682%	17,800	17,823	11,729
					393,815	375,451
					2,311,181	2,547,752

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				
	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 maturity, as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014				
	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					
Portuguese issuers	83,115	-	1,438,010	345,773	1,866,898
Foreign issuers	-	-	50,468	-	50,468
Bonds issued by other entities					
Portuguese issuers	-	-	73,810	137,169	210,979
Foreign issuers	-	-	51,157	131,679	182,836
	83,115	-	1,613,445	614,621	2,311,181

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:

(Thousands of Euros)

	2015	2014
Transports and communications	**172,658**	172,060
Services	**204,108**	221,755
	376,766	393,815
Government and Public securities	**118,125**	1,917,366
	494,891	2,311,181

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.

27. INVESTMENTS IN ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Portuguese credit institutions	**34,465**	30,143
Foreign credit institutions	**31,776**	29,862
Other Portuguese companies	**243,943**	256,213
Other foreign companies	**5,545**	7,248
	315,729	323,466

The balance Investments in associated companies is analysed as follows:

(Thousands of Euros)

	2015	2014
Banque BCP, S.A.S.	**29,240**	27,395
Banque BCP (Luxembourg), S.A.	**2,536**	2,467
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**222,914**	236,768
SIBS, S.G.P.S, S.A.	**19,651**	18,090
Unicre – Instituição Financeira de Crédito, S.A.	**34,465**	30,143
Other	**6,923**	8,603
	315,729	323,466

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 investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the Group. The Group's companies included in the consolidation perimeter are presented in note 60.

The main indicators of the principal associated companies are analysed as follows:

(Thousands of Euros)

	Total Assets	Total Liabilities	Total Income	Net income/(loss) for the year
2015				
Banque BCP, S.A.S.	2,555,870	2,408,936	123,780	14,817
Banque BCP (Luxembourg), S.A.	581,085	546,535	17,183	755
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	10,787,729	9,993,327	959,456	18,160
SIBS, S.G.P.S, S.A. (*)	144,507	57,704	158,164	10,000
Unicre – Instituição Financeira de Crédito, S.A. (*)	334,788	236,514	201,921	16,109
2014				
Banque BCP, S.A.S.	2,207,154	2,069,491	117,517	13,841
Banque BCP (Luxembourg), S.A.	677,012	649,075	17,318	860
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	10,945,537	10,107,247	962,527	61,489
SIBS, S.G.P.S, S.A.	144,507	57,704	158,164	10,762
Unicre – Instituição Financeira de Crédito, S.A.	334,788	236,514	201,921	9,900
VSC – Aluguer de Veículos Sem Condutor, Lda.	2,959	218	988	1,197

(*) Estimated values.

During December 2015, the Group sold 50% of the capital share of the company VSC – Aluguer de Veículos Sem Condutor, Lda. to GE Capital Holding Portugal, SGPS, Unipessoal Lda.

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.
Nature of the relationship with the Group	Associated
Country of the activity	Portugal
% held	49.0

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, SGPS, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

(Thousands of Euros)

	2015	2014
Income	**959,456**	962,527
Net profit for the year	**18,160**	61,489
Comprehensive income	**(2,049)**	86,713
Total comprehensive income	**16,111**	148,202
Attributable to Shareholders of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**16,111**	148,202
Financial assets	**10,328,469**	10,470,412
Non-financial assets	**459,260**	475,125
Financial liabilities	**9,860,240**	9,957,766
Non-financial liabilities	**133,087**	149,481
Equity	**794,402**	838,290
Attributable to Shareholders of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**794,402**	838,290
Value of ownership by BCP on equity of Ageas as at 1 January	**236,768**	497,301
Other comprehensive income attributable to BCP during the year	**7,360**	39,469
Dividends received	**(29,400)**	(169,050)
Appropriation by BCP of net income of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**8,186**	35,818
Capital repayment	**-**	(110,250)
Disposal of Ocidental Seguros and Médis	**-**	(56,567)
Other adjustments	**-**	47
Investment held as at 31 December	**222,914**	236,768

28. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Real estate and other assets arising from recovered loans	**1,964,716**	1,810,881
Subsidiaries acquired exclusively with the purpose of short-term sale	**65,836**	72,710
	2,030,552	1,883,591
Impairment	**(265,170)**	(261,575)
	1,765,382	1,622,016

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Real estate and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) resolution of leasing contracts.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The strategy of alienation results 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 every time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 31,121,000 (31 December 2014: Euros 14,308,000).

As at 31 December 2015, the balance Real estate and other assets arising from recovered loans includes the amount of Euros 326,451,000 (31 December 2014: Euros 325,070,000) related to properties of Closed Real Estate Investment Funds, whose units were received following foreclosure operations and in accordance with IFRS, were subject to full consolidation method.

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to three real estate companies acquired by the Group within the restructuring of a loan exposure that the Group intends to sell in less than one year. However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time. Until the date of the sale, the Group continues to consolidate in reserves and income, any changes occurred in the net assets of the subsidiaries.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**261,575**	372,695
Transfers	**6,000**	25,019
Impairment for the year	**65,293**	27,635
Loans charged-off	**(67,663)**	(163,850)
Exchange rate differences	**(35)**	76
BALANCE ON 31 DECEMBER	**265,170**	261,575

29. INVESTMENT PROPERTY

The balance Investment property includes the amount of Euros 144,644,000 (31 December 2014: Euros 174,861,000) related to real estate accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Imoport – Fundo de Investimento Imobiliário Fechado", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The real estate is evaluated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

The rents received related to real estate amount to Euros 1,328,000 (31 December 2014: Euros 1,058,000), as at 31 December 2015, and the maintenance expenses related to rented or not rented real estate, amount to Euros 1,145,000 (31 December 2014: Euros 1,078,000).

The changes occurred in this caption are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**176,519**	195,599
Transfers for tangible assets	**7,704**	1,140
Revaluations	**(20,739)**	3,296
Disposals	**(17,204)**	(23,516)
BALANCE ON 31 DECEMBER	**146,280**	176,519

30. PROPERTY AND EQUIPMENT

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Land and buildings	**1,058,719**	1,151,149
Equipment		
Furniture	**88,230**	89,254
Machinery	**55,715**	57,657
Computer equipment	**298,890**	299,446
Interior installations	**147,051**	146,542
Motor vehicles	**27,238**	26,125
Security equipment	**80,307**	82,467
Other equipment	**31,157**	32,301
Work in progress	**16,661**	16,704
Other tangible assets	**4,711**	549
	1,808,679	1,902,194
ACCUMULATED DEPRECIATION		
Charge for the year	**(52,585)**	(51,298)
Accumulated charge for the previous years	**(1,085,223)**	(1,095,445)
	(1,137,808)	(1,146,743)
	670,871	755,451

The changes occurred in Property and equipment balance, during 2015, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
COST						
Land and buildings	1,151,149	24,293	(60,853)	(4,327)	(51,543)	1,058,719
Equipment						
Furniture	89,254	2,584	(1,893)	550	(2,265)	88,230
Machinery	57,657	1,812	(2,144)	503	(2,113)	55,715
Computer equipment	299,446	8,206	(5,405)	5,597	(8,954)	298,890
Interior installations	146,542	3,876	(1,205)	2,155	(4,317)	147,051
Motor vehicles	26,125	5,971	(2,394)	35	(2,499)	27,238
Security equipment	82,467	944	(1,247)	446	(2,303)	80,307
Other equipment	32,301	131	(3,172)	2,200	(303)	31,157
Work in progress	16,704	26,793	(1,579)	(23,766)	(1,491)	16,661
Other tangible assets	549	27	(42)	4,679	(502)	4,711
	1,902,194	74,637	(79,934)	(11,928)	(76,290)	1,808,679
ACCUMULATED DEPRECIATION						
Land and buildings	490,543	27,113	(20,588)	(4,182)	(5,622)	487,264
Equipment						
Furniture	80,869	2,064	(1,817)	(23)	(1,221)	79,872
Machinery	51,170	2,189	(2,128)	14	(1,411)	49,834
Computer equipment	283,043	8,941	(5,275)	(143)	(6,914)	279,652
Interior installations	132,025	2,542	(1,149)	314	(2,054)	131,678
Motor vehicles	13,344	4,897	(1,996)	3	(1,712)	14,536
Security equipment	71,233	2,412	(1,240)	(2)	(1,261)	71,142
Other equipment	24,469	2,426	(3,067)	(231)	(208)	23,389
Other tangible assets	47	1	-	441	(48)	441
	1,146,743	52,585	(37,260)	(3,809)	(20,451)	1,137,808

31. GOODWILL AND INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
INTANGIBLE ASSETS		
Software	**120,432**	114,817
Other intangible assets	**52,496**	54,906
	172,928	169,723
Accumulated depreciation		
Charge for the year	**(14,038)**	(14,245)
Accumulated charge for the previous years	**(123,668)**	(117,083)
	(137,706)	(131,328)
	35,222	38,395
GOODWILL		
Bank Millennium, S.A. (Poland)	**125,447**	164,040
Real estate and mortgage credit	**40,859**	40,859
Unicre – Instituição Financeira de Crédito, S.A.	**7,436**	7,436
Others	**18,659**	18,766
	192,401	231,101
IMPAIRMENT		
Others	**(16,707)**	(16,707)
	175,694	214,394
	210,916	252,789

The changes occurred in impairment for goodwill is analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**16,707**	16,562
Impairment for the year	**-**	145
BALANCE ON 31 DECEMBER	**16,707**	16,707

The changes occurred in goodwill and intangible assets balances, during 2015, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
INTANGIBLE ASSETS						
Software	114,817	15,714	(4,612)	(903)	(4,584)	120,432
Other intangible assets	54,906	473	(3,495)	745	(133)	52,496
	169,723	16,187	(8,107)	(158)	(4,717)	172,928
ACCUMULATED DEPRECIATION						
Software	80,781	13,681	(4,337)	(9)	(3,133)	86,983
Other intangible assets	50,547	357	(396)	129	86	50,723
	131,328	14,038	(4,733)	120	(3,047)	137,706
GOODWILL	231,101	-	(38,594)	-	(106)	192,401
IMPAIRMENT FOR GOODWILL	16,707	-	-	-	-	16,707

The item Disposals / Disposals – Goodwill, corresponds to the effect of the merger, in calculation of the value recognized in the income statement.

Following the sale of 15.41% of the share capital of the company through the accelerated placement of 186,979,631 ordinary shares at the unit value of PLN 6.65, and considering the option provided for in IFRS, the Group incorporated in the calculation of the gain/loss the amortization of the portion of the goodwill of the Bank Millennium S.A. (Poland), according to the proportion of the investment sold. After this sale the Group maintained the control of the Bank Millennium S.A. (Poland).

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, regardless of the existence of impairment triggers or, in accordance with the paragraph 9 of the IAS 36, every time there are indicators that the asset might be impaired.

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 this criteria, the Group made in 2015 valuations of their investments for which there is goodwill materially relevant recognised considering among other factors:
(i) an estimate of future cash flows generated by each entity;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these valuations might vary with the change in economic conditions and in the market.

Bank Millennium, S.A. (Poland)
The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2020. After that date, a 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. and the percentage of shareholding. Based on this analysis and the expectations of future development, the Group concludes for the absence of impairment.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2016 to 2020, considering, along this period, a compound annual growth rate of 6.3% for Total Assets and of 7.7% for Total Equity, while considering a ROE evolution from 10.1% in 2016 to 12.1% by the end of the period.

The exchange rate EUR/PLN considered was 4.2609 at the end of 2015 (December 2015 average: 4.2915).

The Cost of Equity considered was 9.00% for the period 2016-2020 and in perpetuity. The annual growth rate in perpetuity (g) was 2.5%.

Real estate and mortgage credit
Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee for the business of Banco de Investimento Imobiliário, S.A. and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion. Based on this analysis and the expectations of future development, the Group conclude for the absence of impairment.

The Real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for such business unit comprises a five-year period, from 2016 to 2020, considering, along this period, a compound annual growth rate of -3.9% for Total Assets and of -1.2% for the Allocated Capital and an average ROE evolution from 15.9% estimated for 2015 to 16.1% by the end of the period.

The Cost of Equity considered was 8.75% for the period 2016-2020 and 9.28% in perpetuity.

An average exit multiple of 1.77x was considered in relation to Allocated Capital at the end of 2020, applied to the group of businesses associated with Real estate and mortgage business.

32. INCOME TAX

Deferred income tax assets and liabilities, as at 31 December 2015 and 2014, are analysed as follows:

(Thousands of Euros)

	2015			2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
DEFERRED TAXES NOT DEPENDING ON THE FUTURE PROFITS [(a)]						
Impairment losses	**940,454**	**-**	**940,454**	887,902	-	887,902
Employee benefits [(b)]	**767,077**	**-**	**767,077**	685,579	-	685,579
	1,707,531	**-**	**1,707,531**	1,573,481	-	1,573,481
DEFERRED TAXES DEPENDING ON THE FUTURE PROFITS						
Intangible assets	**43**	**-**	**43**	43	-	43
Other tangible assets	**7,370**	**3,825**	**3,545**	7,353	3,906	3,447
Impairment losses	**930,319**	**521,777**	**408,542**	887,837	579,459	308,378
Employee benefits	**2,637**	**-**	**2,637**	4,200	-	4,200
Financial assets available for sale	**27,498**	**33,694**	**(6,196)**	8,839	40,705	(31,866)
Derivatives	**-**	**7,663**	**(7,663)**	-	1,697	(1,697)
Tax losses carried forward	**318,494**	**-**	**318,494**	434,767	-	434,767
Others	**168,731**	**48,968**	**119,763**	160,139	59,016	101,123
	1,455,092	**615,927**	**839,165**	1,503,178	684,783	818,395
TOTAL DEFERRED TAXES	**3,162,623**	**615,927**	**2,546,696**	3,076,659	684,783	2,391,876
Offset between deferred tax assets and deferred tax liabilities	**(601,117)**	**(601,117)**	**-**	(678,097)	(678,097)	-
NET DEFERRED TAXES	**2,561,506**	**14,810**	**2,546,696**	2,398,562	6,686	2,391,876

(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). Includes the amount of Euros 91,615,000 (2014: Euros 0) associated to costs and changes in equity not deducted pursuant to the application of the special regime applicable to deferred tax assets.

(b) The balance as at 31 December 2015 includes the amount of Euros 104,413,000 related to post-employment benefits or long-term employees in excess over the limits provided for in the Income Tax Code.

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.

Following the Law 61/2014, about the special regime applicable to deferred tax assets ('Regime'), the Bank decided at the General Meeting of 15 October, 2014 to access this regime.

The special regime applies to deferred tax assets resulting from the non deduction of expenses and negative asset variations with losses due to credit impairment and former employees benefits or long term employee benefits accounted in the tax periods starting on or after 1 January 2015, as well as to deferred tax assets recorded in the company's annual report relating to the last tax period prior to that date and to the portion of expenses and negative asset variations there to related.

These deferred tax assets are converted into tax credits when the institution that holds the deferred tax assets :

i) registers net losses in its individual annual accounts;
ii) enters in a liquidation process by voluntary dissolution, insolvency ordered by court decision or, when applicable, its authorization for the exercise of the activity is revoked by the competent authorities.

According to the Regime, where it was recorded a net loss for the year, the amount of deferred tax assets to be converted into tax credit is that corresponding to the ratio of net loss for the period and the total equity. The tax credit can be used to offset tax liabilities, including those relating to state income taxes and the assets constituting his charge and the fact giving not take place later than the date of such conversion.

The amount of tax credit that is not offset with tax debts is repaid to the taxpayer. In cases where the conversion into tax credit operate the effect of registration of a net loss for the period, the taxpayer will be a special reserve, which implies the simultaneous formation of conversion rights attached to the State.

The deferred tax rate for Banco Comercial Português, S.A. is analysed as follows:

Description	2015	2014
Income tax[(a)]	**21%**	21%
Municipal surtax rate	**1.5%**	1.5%
State tax rate	**7%**	7%
TOTAL[(b)]	**29.5%**	29.5%

(a) Applicable to deferred taxes related to tax losses;
(b) Applicable to deferred taxes related to temporary differences.

In 2014, the reduction in the income tax rate led to a deferred tax expense in the amount of Euros 133,507,000.

The caption Employee benefits includes the amount of Euros 344,501,000 (31 December 2014: Euros 402,256,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy, as referred in notes 1, 10 and 50. The referred caption also includes the amount of Euros 37,805,000 (31 December 2014: Euros 40,506,000) related to deferred taxes associated to the charge arising from the transfer of the liabilities with retired employees / pensioners to the General Social Security Scheme, which was recognised in the income statement.

The negative impact in equity associated with the change in the above mentioned accounting policy is deductible for tax purposes, in equal parts, for a 10 years period starting on 1 January, 2012. The expense arising from the transfer of liabilities with pensioners to the General Social Security Scheme is deductible for tax purposes, in equal parts starting on 1 January, 2012, for a period corresponding to the average number of years of life expectancy of retirees / pensioners whose responsibilities were transferred (18 years for the Group).

The expire date of the recognised tax losses carried forward is presented as follows:

(Thousands of Euros)

Expire date	2015	2014
2015	**-**	3,471
2016	**2,072**	1
2017	**30,019**	139,513
2018	**113,145**	115,893
2019	**186**	179
2020 and following years	**173,072**	175,710
	318,494	434,767

In accordance with the accounting policy and with the requirements of IAS 12, the deferred tax assets were recognized based on the Group's expectation of their recoverability. The assessment of the recoverability of deferred tax assets was performed for each entity included in the consolidation perimeter based on the respective business plans approved by the Board of Directors for the period 2016-2018.

The estimated financial statements of the Group prepared under the budget procedure for 2016 and that supports the future taxable income relating to each Group entity took into account the macroeconomic and competitive environment while consolidate the Group's strategic priorities.

The expectation of future taxable income in Portugal is supported primarily on the positive developments:
i) net interest income, reflecting the positive impact of the reimbursement of CoCos and sustained decline in the cost of deposits from customers;
ii) the reduction in operating costs, reflecting the favourable effect of decreases in numbers of employees and branches;
iii) loans impairment charges.

The amount of unrecognized deferred taxes is as follows:

(Thousands of Euros)

Expire date	2015	2014
Tax losses carried forward	**443,985**	401,771

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 31 December 2015, is analysed as follows:

(Thousands of Euros)

	2015			
	Net income / (loss)	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	99,125	-	1,039	-
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	19,687	-	(1,047)	-
	(24,750)	45,702	263	(445)
	43,349	111,653	263	(445)
CURRENT TAXES	(99,746)	261	-	-
	(56,397)	111,914	263	(445)

(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).

The impact of income taxes in Net (loss) / income and in other captions of Group's equity, as at 31 December 2014, is analysed as follows:

(Thousands of Euros)

	2014			
	Net income / (loss)	Reserves and retained earnings	Exchange differences	Discontinued operations and other variations
DEFERRED TAXES				
Deferred taxes not depending on the future profits				
Impairment losses	66,101	-	-	-
Employee benefits	(55,220)	(45,016)	-	(113)
	10,881	(45,016)	-	(113)
Deferred taxes depending on the future profits				
Intangible assets	(3)	-	-	(12)
Other tangible assets	314	-	(55)	(28)
Impairment losses	44,037	-	(2,417)	1
Employee benefits	(131)	(5,054)	(274)	44
Financial assets available for sale	-	(4,350)	(562)	(97)
Derivatives	(431)	-	45	-
Tax losses carried forward	103,641	89,748	(2,002)	(12,861)
Others	40,362	-	997	108
	187,789	80,344	(4,268)	(12,845)
	198,670	35,328	(4,268)	(12,958)
CURRENT TAXES	(100,995)	877	-	(910)
	97,675	36,205	(4,268)	(13,868)

The reconciliation of the effective tax rate, arising from the permanent effects, is analysed as follows:

(Thousands of Euros)

	2015	2014
Net income / (loss) before income taxes	**402,710**	(173,405)
Current tax rate	**29.5%**	31.5%
Expected tax	**(118,799)**	54,622
Accruals for the purpose of calculating the taxable income (i)	**(58,546)**	(42,168)
Deductions for the purpose of calculating the taxable income (ii)	**49,127**	72,479
Fiscal incentives not recognised in profit/loss accounts (iii)	**10,851**	8,808
Effect of the difference of rate tax and of deferred tax not recognised previously (iv)	**62,895**	7,301
Correction of previous years	**(200)**	(664)
(Autonomous tax) / tax credits	**(1,725)**	(2,703)
	(56,397)	97,675
Effective rate	**14.0%**	56.3%

References:

(i) Refers, essentially, to the tax associated with the additions of impairment losses not deductible for tax purposes and the contribution over the banking sector, the net income of non-resident companies and accounting losses generated by investment funds included in the perimeter consolidation.

(ii) This is mainly associated with the tax deductions of net income of associated companies consolidated under the equity method and capital gains on the sale of investments.

(iii) Regards essentially interests on public debt of Angola.

(iv) Corresponds, essentially, to the recognition of deferred tax assets associated to post-employment benefits or long-term employee in excess of the limits and the effect of foreign tax rate difference.

33. OTHER ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Debtors	**147,793**	164,870
Supplementary capital contributions	**208,951**	113,843
Amounts due for collection	**34,302**	26,043
Recoverable tax	**25,239**	21,302
Recoverable government subsidies on interest on mortgage loans	**9,117**	7,367
Associated companies	**1,535**	228
Interest and other amounts receivable	**52,708**	48,241
Prepayments and deferred costs	**38,870**	44,246
Amounts receivable on trading activity	**177,439**	33,897
Amounts due from customers	**223,907**	244,544
Reinsurance technical provision	**3,423**	2,151
Sundry assets	**291,887**	217,156
	1,215,171	923,888
Impairment for other assets	**(240,943)**	(138,959)
	974,228	784,929

As referred in note 58, the balance Supplementary capital contributions includes the amount of Euros 207,611,000 (31 December 2014: Euros 109,918,000) and the balance Sundry assets includes the amount of Euros 2,939,000 (31 December 2014: Euros 2,939,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided.

As at 31 December 2015, the item Sundry assets includes the amount of Euros 22,182,000 related to obligations associated with post-employment benefits, as mentioned in note 50.

The changes occurred in impairment for other assets are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**138,959**	166,667
Transfers resulting from changes in the Group's structure	**339**	(624)
Other transfers	**91,691**	(23,996)
Impairment for the year	**14,374**	9,027
Write back for the year	**-**	(351)
Amounts charged-off	**(4,180)**	(11,630)
Exchange rate differences	**(240)**	(134)
BALANCE ON 31 DECEMBER	**240,943**	138,959

34. DEPOSITS FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Non interest bearing	**Interest bearing**	**Total**	Non interest bearing	Interest bearing	Total
Deposits from Central Banks						
Bank of Portugal	**-**	**5,484,916**	**5,484,916**	-	6,816,726	6,816,726
Central Banks abroad	**-**	**378,485**	**378,485**	-	947	947
Deposits from credit institutions in Portugal	**59,930**	**95,618**	**155,548**	29,267	190,248	219,515
Deposits from credit institutions abroad	**211,214**	**2,360,882**	**2,572,096**	255,390	3,673,577	3,928,967
	271,144	**8,319,901**	**8,591,045**	284,657	10,681,498	10,966,155

This balance is analysed by remaining period as follows:

(Thousands of Euros)

	2015	2014
Up to 3 months	**5,874,300**	8,276,767
3 to 6 months	**193,975**	385,553
6 to 12 months	**193,482**	215,424
1 to 5 years	**1,770,072**	1,751,744
Over 5 years	**559,215**	336,667
	8,591,045	10,966,155

Following the signed agreements of derivative financial transactions with institutional counterparties and according to the signed agreements, the Group has, as at 31 December 2015, the amount of Euros 71,669,000 (31 December 2014: 109,768,000) regarding deposits from other credit institutions received as collateral of the mentioned transactions.

35. DEPOSITS FROM CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Non interest bearing	**Interest bearing**	**Total**	Non interest bearing	Interest bearing	Total
Deposits from customers						
Repayable on demand	**20,406,432**	**137,036**	**20,543,468**	15,870,182	922,495	16,792,677
Term deposits	**-**	**24,604,426**	**24,604,426**	-	29,511,327	29,511,327
Saving accounts	**-**	**2,372,829**	**2,372,829**	-	1,287,817	1,287,817
Deposits at fair value through profit and loss	**-**	**3,593,761**	**3,593,761**	-	1,895,440	1,895,440
Treasury bills and other assets sold under repurchase agreement	**-**	**89,966**	**89,966**	-	13,986	13,986
Other	**213,209**	**120,924**	**334,133**	199,658	115,831	315,489
	20,619,641	**30,918,942**	**51,538,583**	16,069,840	33,746,896	49,816,736

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. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2015, a loss in the amount of Euros 1,302,000 was recognised (31 December 2014: loss of Euros 4,642,000) 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 2015, Euros 3,605,424,000 (31 December 2014: Euros 1,902,445,000).

This balance is analysed by remaining period is analysed as follows:

(Thousands of Euros)

	2015	2014
DEPOSITS FROM CUSTOMERS REPAYABLE ON DEMAND	**20,543,468**	16,792,677
TERM DEPOSITS AND SAVING ACCOUNTS FROM CUSTOMERS		
Up to 3 months	**13,438,527**	15,887,427
3 to 6 months	**5,716,509**	5,784,650
6 to 12 months	**6,320,167**	6,469,574
1 to 5 years	**1,416,933**	2,440,168
Over 5 years	**85,119**	217,325
	26,977,255	30,799,144
DEPOSITS AT FAIR VALUE THROUGH PROFIT AND LOSS		
Up to 3 months	**302,691**	143,494
3 to 6 months	**529,869**	142,850
6 to 12 months	**1,252,055**	624,166
1 to 5 years	**1,509,146**	984,930
	3,593,761	1,895,440
TREASURY BILLS AND OTHER ASSETS SOLD UNDER REPURCHASE AGREEMENT		
Up to 3 months	**89,966**	13,986
	89,966	13,986
OTHER		
Up to 3 months	**217,633**	202,534
Over 5 years	**116,500**	112,955
	334,133	315,489
	51,538,583	49,816,736

36. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
DEBT SECURITIES AT AMORTIZED COST		
Bonds	**1,691,299**	1,914,640
Covered bonds	**1,331,190**	1,344,538
MTNs	**546,739**	1,318,416
Securitizations	**439,013**	483,427
	4,008,241	5,061,021
Accruals	**44,430**	56,102
	4,052,671	5,117,123
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Bonds	**43,607**	36,560
MTNs	**160,150**	159,960
	203,757	196,520
Accruals	**3,996**	3,398
	207,753	199,918
CERTIFICATES	**507,845**	392,528
	4,768,269	5,709,569

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. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2015, a loss in the amount of Euros 6,337,000 was recognised (31 December 2014: gain of Euros 632,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The characteristics of the bonds issued by the Group, as at 31 December 2015, are analysed as follows:

(Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
DEBT SECURITIES AT AMORTIZED COST					
BANCO COMERCIAL PORTUGUÊS					
BCP Ob Cx E. I. S. Mar 06/16	March, 2006	March, 2016	Indexed to Down Jones EuroStoxx 50	1,100	1,079
BCP Cov Bonds Jun 07/17	June, 2007	June, 2017	Fixed rate 4.750%	930,800	950,022
BCP Cov Bonds Oct 09/16	October, 2009	October, 2016	Fixed rate 3.750%	376,550	381,168
BCP Frn Rend Cres I-11 Eur-Jan 2016	January, 2011	January, 2016	1st semester 1.750%; 2nd semester 2.250%; 3rd semester 2.750%; 4th semester 3.250%; 5th semester 3.750%; 6th semester 4.250%; 7th semester 4.750%; 8th semester 5.250%; 9th semester 5.750%; 10th semester 6.250%	2,500	2,505
BCP Ob Mil Rend M 1 Ser-Val M Nr5	May, 2011	May, 2016	1st semester 2.650%; 2nd semester 2.750%; 3rd semester 2.875%; 4th semester 3.000%; 5th semester 3.125%; 6th semester 3.250%; 7th semester 3.375%; 8th semester 3.500%; 9th semester 3.750%; 10th semester 4.250%	10,400	10,589
BCP Rend M 2 Ser-Val M Nr 6	May, 2011	May, 2016	1st semester 3.000%; 2nd semester 3.125%; 3rd semester 3.250%; 4th semester 3.375%; 5th semester 3.500%; 6th semester 3.625%; 7th semester 3.750%; 8th semester 4.250%; 9th semester 4.500%; 10th semester 5.125%	58,541	59,759
BCP Sfe Rend M Sr 2-Val Mob Nr 7	May, 2011	May, 2016	1st semester 3.000%; 2nd semester 3.125%; 3rd semester 3.250%; 4th semester 3.375%; 5th semester 3.500%; 6th semester 3.625%; 7th semester 3.750%; 8th semester 4.250%; 9th semester 4.500%; 10th semester 5.125%	125	128
BCP Rend M 3 Ser-Val M Nr 8	May, 2011	May, 2016	1st semester 3.250%; 2nd semester 3.375%; 3rd semester 3.500%; 4th semester 3.625%; 5th semester 3.875%; 6th semester 4.125%; 7th semester 4.375%; 8th semester 4.625%; 9th semester 4.875%; 10th semester 5.625%	31,252	31,932
BCP Sfe Rend M Sr 9-Val Mob Nr 9	May, 2011	May, 2016	1st semester 3.250%; 2nd semester 3.375%; 3rd semester 3.500%; 4th semester 3.625%; 5th semester 3.875%; 6th semester 4.125%; 7th semester 4.375%; 8th semester 4.625%; 9th semester 4.875%; 10th semester 5.625%	580	592
BCP Rend Sup M 2 S – Val Mob Sr13	June, 2011	June, 2016	1st semester 3.500%; 2nd semester 3.625%; 3rd semester 3.750%; 4th semester 3.875%; 5th semester 4.000%; 6th semester 4.125%; 7th semester 4.250%; 8th semester 4.375%; 9th semester 4.625%; 10th semester 5.125%	2,758	2,817
BCP Iln Permal Macro Hold Class D	June, 2011	June, 2021	Indexed to Permal Macro Holding Lda	240	240
BCP Rend Sup M 3 Sr -Val Mob Sr 14	June, 2011	June, 2016	1st semester 3.875%; 2nd semester 4.000%; 3rd semester 4.125%; 4th semester 4.250%; 5th semester 4.375%; 6th semester 4.500%; 7th semester 4.625%; 8th semester 4.750%; 9th semester 5.000%; 10th semester 5.500%	5,404	5,520
BCP Ob.Mill Rend Super-Vm Sr Nr 12	June, 2011	June, 2016	1st semester 3.000%; 2nd semester 3.125%; 3rd semester 3.250%; 4th semester 3.375%; 5th semester 3.500%; 6th semester 3.625%; 7th semester 3.750%; 8th semester 3.875%; 9th semester 4.125%; 10th semester 4.625%	662	676

(continues)

(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Sfe Rendim Super M 3 Sr 15	June, 2011	June, 2016	1st semester 3.875%; 2nd semester 4.000%; 3rd semester 4.125%; 4th semester 4.250%; 5th semester 4.375%; 6th semester 4.500%; 7th semester 4.625%; 8th semester 4.750%; 9th semester 5.000%; 10th semester 5.500%	130	133
BCP Rend Super M 4 Ser-Vm Sr 21	July, 2011	July, 2016	1st semester 3.000%; 2nd semester 3.125%; 3rd semester 3.250%; 4th semester 3.375%; 5th semester 3.500%; 6th semester 3.625%; 7th semester 3.750%; 8th semester 3.875%; 9th semester 4.125%; 10th semester 4.625%	310	318
BCP Rend Super M 5 Ser-Vm Sr 22	July, 2011	July, 2016	1st semester 3.500%; 2nd semester 3.625%; 3rd semester 3.750%; 4th semester 3.875%; 5th semester 4.000%; 6th semester 4.125%; 7th semester 4.250%; 8th semester 4.375%; 9th semester 4.625%; 10th semester 5.125%	1,021	1,046
BCP Rend Super M 6 Ser-Vm Sr 23	July, 2011	July, 2016	1st semester 3.875%; 2nd semester 4.000%; 3rd semester 4.125%; 4th semester 4.250%; 5th semester 4.375%; 6th semester 4.500%; 7th semester 4.625%; 8th semester 4.750%; 9th semester 5.000%; 10th semester 5.500%	2,614	2,678
BCP Fix Jul 2016-Val Mob Sr 38	August, 2011	July, 2016	Fixed rate 6.180%	1,750	1,750
BCP Float Jun 2016-Val Mob Sr 37	August, 2011	June, 2016	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	1,330	1,317
BCP Float Mar 2018-Val Mob Sr 40	August, 2011	March, 2018	Until 03 Sep 2011: Fixed rate 2.332% year; after 03 Sep 2011: Euribor 6M + 0.950%	2,850	2,624
BCP Float Dec 2017-Val Mob Sr 41	August, 2011	December, 2017	Until 20 Dec 2011: Fixed rate 2.702% year; after 20 Dec 2011: Euribor 6M + 0.950%	2,450	2,368
BCP Float Jun 2017-Val Mob Sr 39	August, 2011	June, 2017	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	900	878
BCP Float Jan 2018-Val Mob Sr 42	August, 2011	January, 2018	Until 28 Jan 2012: Fixed rate 2.781% year; after 28 Jan 2012: Euribor 6M + 0.950%	2,800	2,598
BCP Float Jan 2018-Vm Sr.46	November, 2011	January, 2018	Fixed rate 1.831% (1st interest) and Euribor 6M (2nd and following)	8,750	7,434
BCP Fix Oct 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate 6.875%	5,400	5,410
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	82,508
BCP Float Apr 2016-Vm Sr.82 Ref.15	December, 2011	April, 2016	Until 4 Apr 2012: Fixed rate 2.054% year; after 4 Apr 2012: Euribor 3M + 0.500%	137,200	134,851
BCP Float Jan 2019-Vm 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	42,835
BCP Float Jul 2016-Vm Sr.87-Ref.20	December, 2011	July, 2016	Until 8 Apr 2012: Fixed rate 2.056% year; after 8 Apr 2012: Euribor 3M + 0.500%	40,000	38,602
BCP Float Apr 2016-Vm Sr.83-Ref.16	December, 2011	April, 2016	Until 14 Apr 2012: Fixed rate 2.071% year; after 14 Apr 2012: Euribor 3M + 0.500%	35,000	34,330
BCP Float Oct 2016-Vm 91 Ref.24	December, 2011	October, 2016	Until 15 Apr 2012: Fixed rate 2.072% year; after 15 Apr 2012: Euribor 3M + 0.500%	18,000	17,039
BCP Float 2 Jul 2016-Vm Sr.88 Ref.21	December, 2011	July, 2016	Until 30 Apr 2012: Fixed rate 2.090% year; after 30 Apr 2012: Euribor 3M + 0.500%	45,000	43,221

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
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	25,703
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%	49,250	43,154
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	4,460
BCP Float May 2016-Vm Sr.84-Ref. 17	December, 2011	May, 2016	Until 7 May 2012: Fixed rate 2.080% year; after 7 May 2012: Euribor 3M + 0.500%	39,100	38,178
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	40,372
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	32,394
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	9,228
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%	56,450	48,516
BCP Float May 2016-Vm 85-Ref. 18	December, 2011	May, 2016	Until 20 May 2012: Fixed rate 1.960% year; after 20 May 2012: Euribor 3M + 0.500%	21,000	20,463
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	86,044
BCP Float Aug 2016-Avl Sr.89 Ref. 22	December, 2011	August, 2016	Until 22 May 2012: Fixed rate 1.965% year; after 22 May 2012: Euribor 3M + 0.500%	36,700	35,125
BCP Float Nov 2016-Vm Sr.92-Ref. 25	December, 2011	November, 2016	Until 26 May 2012: Fixed rate 1.974% year; after 26 May 2012: Euribor 3M + 0.500%	8,000	7,504
BCP Float 11/03.09.2016 Ref.23 Vm 90	December, 2011	September, 2016	Until 3 Jun 2012: Fixed rate 1.969% year; after 3 Jun 2012: Euribor 3M + 0.500%	13,600	12,975
BCP Float Jun 2016-Vm Sr.86-Ref. 19	December, 2011	June, 2016	Until 20 Jun 2012: Fixed rate 1.917% year; after 20 Jun 2012: Euribor 3M + 0.500%	47,000	45,525
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	12,871
BCP Float Mar 2016-Vm 81-Ref. 14	December, 2011	March, 2016	Until 25 Jun 2012: Fixed rate 1.910% year; after 25 Jun 2012: Euribor 3M + 0.500%	121,400	119,478
BCP Float Dec 2016-Vm Sr.93-Ref. 26	December, 2011	December, 2016	Euribor 3M + 0.500%	19,500	18,189
BCP Float Dec 2017-Vm Sr.101 Ref. 34	December, 2011	December, 2017	Euribor 3M + 0.500%	65,900	57,066
BCP Float Mar 2018-Vm Sr.103 Ref. 36	December, 2011	March, 2018	Euribor 3M + 0.500%	49,300	41,963
BCP Fixa Oct 2019-Vm Sr. 61	December, 2011	October, 2019	Fixed rate 6.875%	9,500	9,479
BCP Fixa Oct 19-Vm Sr 110	January, 2012	October, 2019	Fixed rate 6.875%	4,000	3,971
BCP Floater Mar 13-Vm Sr 114	February, 2012	March, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,000	7,912
BCP Floater Apr 16-Vm Sr 115	February, 2012	April, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	1,700	1,676
BCP Floater Jun 16-Vm Sr 116	February, 2012	June, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,586	8,373
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	3,429

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
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 + 0.600%	30,000	25,065
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%	20,000	17,093
BCP Floater Jun 16-Vm Sr. 167	March, 2012	June, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	4,987	4,843
BCP Floater Jul 16-Vm Sr. 168	March, 2012	July, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	1,513	1,464
BCP Floater Jun 17-Vm Sr. 176	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	8,225	7,588
BCP Fixa Oct 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate 6.875%	2,000	1,945
BCP Floater Jun 17-Vm Sr 191	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	12,800	11,793
BCP Floater Mar 18-Vm Sr 192	April, 2012	March, 2018	Until 27 Dec 2012: fixed rate 2.217% year; after 27 Dec 2012: Euribor 6M + 0.950%	3,055	2,729
BCP Fixa Oct 19-Vm Sr 193	April, 2012	October, 2019	Fixed rate 6.875%	4,900	4,768
BCP FRNs 5.625 % Feb 16-Emtn 843	June, 2012	February, 2016	Fixed rate 5.625%	10,450	10,420
BCP 4.75 Por Cento Sep -Vm Sr 279	September, 2012	September, 2020	Fixed rate 4.750%	27,100	28,019
Mill Rend.Trim Dec 20-Vm Sr. 290	December, 2012	December, 2020	Fixed rate 4.500%	47,182	47,182
BCP 3.375 14/27.02.2017 Emtn 852	February, 2014	February, 2017	Fixed rate 3.375%	448,069	451,107
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	2,511
BANK MILLENNIUM:					
Bank Millennium - BPW_2016/02	January, 2013	February, 2016	Indexed to Hang Seng China Enterprises	785	785
Bank Millennium - BPW_2016/02A	January, 2013	February, 2016	Indexed to Wig20 Index	407	407
Bank Millennium - BPW_2016/03	February, 2013	March, 2016	Indexed to Apple Inc.	2,260	2,260
Bank Millennium - BPW_2016/03A	March, 2013	March, 2016	Indexed to Coca-Cola Equity	1,775	1,775
Bank Millennium - BPW_2016/04	April, 2013	April, 2016	Indexed to Templeton Global	3,140	3,140
Bank Millennium - BPW_2016/04A	April, 2013	April, 2016	Indexed to Templeton Euro High	516	516
Bank Millennium - BPW_2016/05	May, 2013	May, 2016	Indexed to Wti Crude Oil	794	794
Bank Millennium - BPW_2016/05A	May, 2013	May, 2016	Indexed to Microsoft Corporation	38	38
Bank Millennium - BPW_2016/06	June, 2013	June, 2016	Indexed to Hang Seng China Enterprises	641	641
Bank Millennium - BPW_2016/06A	June, 2013	June, 2016	Indexed to Apple Inc	657	657
Bank Millennium - BPW_2016/07	July, 2013	July, 2016	Indexed to Apple Inc	1,408	1,408
Bank Millennium - BPW_2016/08	August, 2013	August, 2016	Indexed to Dow Jones Global Titans 50 Usd	810	810
Bank Millennium - BPW_2016/09	September, 2013	September, 2016	Indexed to Wig20 Index	1,925	1,925
Bank Millennium - BPW_2016/09A	September, 2013	September, 2016	Indexed to Kghm	2,263	2,263
Bank Millennium - BPW_2016/10	October, 2013	October, 2016	Indexed to Kghm	2,602	2,602
Bank Millennium - BPW_2016/10A	October, 2013	October, 2016	Indexed to Kghm	698	698
Bank Millennium - BPW_2016/12	November, 2013	December, 2016	Indexed to Kghm	609	609
Bank Millennium - BPW_2016/12A	December, 2013	December, 2016	Indexed to Hang Seng China Enterprises	574	574
Bank Millennium - BPW_2016/12B	December, 2013	December, 2016	Indexed to Wti Crude Oil	1,146	1,146

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bank Millennium - BPW_2017/01	January, 2014	January, 2017	Indexed to Wti Crude Oil	1,275	1,275
Bank Millennium - BPW_2017/01A	January, 2014	January, 2017	Indexed to Gold Fix Price	1,477	1,477
Bank Millennium - BPW_2017/02A	February, 2014	February, 2017	Indexed to FTSE 100 Index	682	682
Bank Millennium - BPW_2017/02	February, 2014	February, 2017	Indexed to Volkswagen	947	947
Bank Millennium - BKMO_280317C	March, 2014	March, 2017	Fixed rate 3.700%	116,975	116,975
Bank Millennium - BPW_2017/03	March, 2014	March, 2017	Indexed to Gold Fix Price	1,743	1,743
Bank Millennium - BPW_2017/03A	March, 2014	March, 2017	Indexed to Wti Crude Oil	1,253	1,253
Bank Millennium - BPW_2017/04	April, 2014	April, 2017	Indexed to BMW AG	443	443
Bank Millennium - BPW_2017/04A	April, 2014	April, 2017	Indexed to OBXP	908	908
Bank Millennium - BPW_2017/05	May, 2014	May, 2017	Indexed to Pzu PW	1,224	1,224
Bank Millennium - BPW_2017/06	June, 2014	June, 2017	Indexed to Gold Fix Price	1,052	1,052
Bank Millennium - BPW_2017/07	July, 2014	July, 2017	Indexed to General Motors Co	914	914
Bank Millennium - BPW_2016/08A	August, 2014	August, 2016	Indexed to Swiss index	3,139	3,139
Bank Millennium - BPW_2016/09B	September, 2014	September, 2016	Indexed to Facebook	1,421	1,421
Bank Millennium - BPW_2017/04C	October, 2014	April, 2017	Indexed to Swiss index	2,536	2,536
Bank Millennium - BPW_2017/11	November, 2014	November, 2017	Indexed to Nestlé	1,355	1,355
Bank Millennium - BPW_2017/12	December, 2014	December, 2017	Indexed to Airbus	884	884
Bank Millennium - BPW_2017/12A	December, 2014	December, 2017	Indexed to Nestlé	685	685
Bank Millennium - BPW_2018/01	January, 2015	January, 2018	Indexed to UPS	1,267	1,267
Bank Millennium - BPW_2018/02	February, 2015	February, 2018	Indexed to Volkswagen	1,338	1,338
Bank Millennium - BPW_2018/03	March, 2015	March, 2018	Indexed to Euro Stoxx 50	1,647	1,647
Bank Millennium - BPW_2018/04	April, 2015	April, 2018	Indexed to Euro Stoxx 50	2,168	2,168
Bank Millennium - BPW_2018/06	May, 2015	June, 2018	Indexed to Swiss index	2,676	2,676
Bank Millennium - BPW_2018/06A	June, 2015	June, 2018	Indexed to Ibex 35	2,050	2,050
Bank Millennium - BKMO_220618N	June, 2015	June, 2018	Fixed rate 2.970%	70,358	70,358
Bank Millennium - BPW_2018/07	July, 2015	July, 2018	Indexed to 2 indexes	2,699	2,699
Bank Millennium - BPW_2018/08	August, 2015	August, 2018	Indexed to 4 indexes	3,506	3,506
Bank Millennium - BPW_2018/09	September, 2015	September, 2018	Indexed to 4 indexes	3,662	3,662
Bank Millennium - BPW_2018/10	October, 2015	October, 2018	Indexed to American Airlines Group	1,484	1,484
Bank Millennium - BPW_2018/11	November, 2015	November, 2018	Indexed to 4 indexes	2,213	2,213
Bank Millennium - BPW_2019/01	December, 2015	January, 2019	Indexed to 4 indexes	1,023	1,023
Bank Millennium - BKMO_150916P	December, 2015	September, 2016	Fixed rate 2.050%	6,934	6,934
BCP FINANCE BANK:					
BCP Fin.Bank - EUR 10 M	March, 2004	March, 2024	Fixed rate 5.010%	10,000	10,550
BCP Fin.Bank - USD 3 M	July, 2006	July, 2016	USD Libor 6M + 0.750% *n/N; (n: n. of days USD Libor 6M< Barrier)	923	897
BCP Fin.Bank - EUR 100 M	January, 2007	January, 2017	Euribor 3M + 0.175%	56,300	56,297
BCP Finance Bank - EUR 15 M	July, 2009	July, 2017	Euribor 3M + 2.500% 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%	83,132	83,132
SPV Magellan No 2 - Class B Notes	October, 2003	July, 2036	Euribor 3M + 1.100%	39,640	39,640
SPV Magellan No 2 - Class C Notes	October, 2003	July, 2036	Euribor 3M + 2.300%	18,900	18,900
SPV Magellan No 2 - Class D Notes	October, 2003	July, 2036	Euribor 3M + 1.700%	3,500	3,500

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
MAGELLAN MORTGAGES NO. 3:					
Mbs Magellan Mortgages S.3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.260%	312,671	290,211
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.380%	1,532	1,422
Mbs Magellan Mortgages S.3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.580%	2,379	2,208
					4,008,241
Accruals					44,430
					4,052,671
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	63,305
BCP Eur Cln Port 2Emis Jun 10/18	November, 2010	June, 2018	Fixed rate 4.450% underlying asset OT - 2018/06	11,550	12,599
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate 4.800% underlying asset OT - 2020/06	30,000	33,815
BCP Iln Seleç Merc Emerg 10 Feb 16	February, 2011	February, 2016	Indexed to MSCI Emerging Market Fund	1,005	1,142
BCP Iln Estr Global Viii/11 Eur	August, 2011	August, 2016	Fixed rate 1.600%	2,260	2,601
BCP Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate 4.450% underlying asset OT - 2018/06	32,700	42,448
Part. Multisetorial Europ.-Emtn 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors EUR	4,150	4,240
Inv.Zona Euro I 22012017 Epvm Sr 4	January, 2014	January, 2017	Indexed to DJ EuroStoxx 50	1,150	1,202
Part Acoes Zona Euro Iii - Epvm Sr 6	March, 2014	March, 2016	Indexed to DJ EuroStoxx 50	1,680	1,785
Inv Merc. Acion Zona Euro - Epvm Sr 11	June, 2014	June, 2016	Indexed to a portfolio of 2 indexes	3,960	4,081
Cab Blue Chips Z Euro Aut Epvm Sr 15	November, 2014	November, 2016	Indexed to EuroStoxx 50	5,730	5,829
Inv Commodities Autc Epvm Sr 16	November, 2014	November, 2017	Indexed to S&P GSCI ER index	1,340	581
Bcp Reem Parc Eur Ind Xii 14 Epvm Sr 18	December, 2014	December, 2017	1st quarter=2.250%; 2nd quarter=5.400%; 2nd semester=9.000%; 2nd year=4.500%; 3rd year=4.500%	220	192
Bcp Rend Euro America Autoc I 15 Eur Jan 2017 - Epvm 19	January, 2015	January, 2017	Indexed to a portfolio of 2 indexes	2,470	2,461
Bcp Rend Euro America Autoc I 15 Eur Jan 2017 - Epvm 21	January, 2015	January, 2017	Indexed to a portfolio of 2 indexes	937	936
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	1,493
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%	334	309
Inv Cabaz Baixa Volatilidade Iv-Epvm 27	April, 2015	April, 2016	Indexed to S&P Europe 350 Low Volatility	662	646

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp Reemb Parc 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	293
Bcp Retor Ec Zona Eur Autoc Iv-Epvm 26	April, 2015	April, 2017	Indexed to DJ EuroStoxx 50	3,050	2,923
Bcp Inv Cabaz Baixa Volatil V-Epvm 28	May, 2015	May, 2017	Indexed to S&P Europe 350 Low Volatility	1,580	1,473
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	2,347
Bcp Rend Indic Setor Autoc Vii-Epvm 30	July, 2015	July, 2017	Indexed to a portfolio of 3 indexes	2,180	1,948
Bcp Inv Eur Divid Autoccal. Vii-Epvm 31	July, 2015	July, 2018	Indexed to EuroStoxx Select Dividend 30	1,100	990
Bcp Rend Acoes Zon Eur Autc-Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,880	1,632
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%	3,360	3,265
Bcp Rend Ind Glob Autoc Xi-Epvm 36	November, 2015	November, 2017	Indexed to a portfolio of 3 indexes	1,610	1,360
Bcp Invest Bancos Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to EuroStoxx Banks	1,000	798
Bcp Invest Eur Glob Autoc Xi-Epvm 35	November, 2015	November, 2017	Indexed to Stoxx Europe 600 index	3,200	3,092
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%	1,258	1,260
Bcp Rend Zon Eur Autoc Xii - Epvm 38	December, 2015	December, 2018	Indexed to EuroStoxx 50	3,060	2,711
					203,757
Accruals					3,996
					207,753

This balance, as at 31 December 2015, is analysed by the remaining period as follows:

(Thousands 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

This balance, as at 31 December 2014, is analysed by the remaining period as follows:

(Thousands of Euros)

	2014					
	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	148,444	6,026	209,531	1,473,828	76,811	1,914,640
Covered bonds	-	-	-	1,344,538	-	1,344,538
MTNs	52,516	298,233	239,983	717,059	10,625	1,318,416
Securitizations	-	-	-	-	483,427	483,427
	200,960	304,259	449,514	3,535,425	570,863	5,061,021
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,954	1,777	5,228	27,601	-	36,560
MTNs	3,417	2,579	-	120,977	32,987	159,960
	5,371	4,356	5,228	148,578	32,987	196,520
CERTIFICATES	-	-	-	-	392,528	392,528
	206,331	308,615	454,742	3,684,003	996,378	5,650,069

37. FINANCIAL LIABILITIES HELD FOR TRADING

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
FRA	**8**	-
Swaps	**638,813**	846,837
Options	**69,090**	100,979
Embedded derivatives	**9,335**	369
Forwards	**5,982**	4,784
	723,228	952,969
Level 1	**63,153**	98,880
Level 2	**643,567**	845,587
Level 3	**16,508**	8,502

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 49.

The balance Financial liabilities held for trading includes, as at 31 December 2015, 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 9,335,000 (31 December 2014: Euros 369,000). This note should be analysed together with note 24.

38. PROVISIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Provision for guarantees and other commitments	**74,710**	250,158
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	**14,695**	13,787
Life insurance	**46,553**	55,990
Bonuses and rebates	**3,039**	2,161
Other technical provisions	**8,905**	10,794
Other provisions for liabilities and charges	**136,908**	127,403
	284,810	460,293

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**250,158**	211,765
Transfers resulting from changes in the Group's structure	**-**	(134)
Other transfers	**(158,777)**	(19)
Charge for the year	**10,774**	52,245
Write-back for the year	**(26,278)**	(14,198)
Exchange rate differences	**(1,167)**	499
BALANCE ON 31 DECEMBER	**74,710**	250,158

The balance Other transfers corresponds mainly to transfer for credit risks impairment.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**127,403**	80,017
Transfers resulting from changes in the Group's structure	**-**	(1,013)
Other transfers	**(20,453)**	7,911
Charge for the year	**40,979**	44,688
Write-back for the year	**(528)**	(1,262)
Amounts charged-off	**(9,297)**	(2,884)
Exchange rate differences	**(1,196)**	(54)
BALANCE ON 31 DECEMBER	**136,908**	127,403

These provisions were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment.

39. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Bonds		
Non Perpetual Bonds	**849,026**	1,224,603
Perpetual Bonds	**28,760**	28,510
CoCos	**759,813**	762,767
	1,637,599	2,015,880
Accruals	**7,772**	9,792
	1,645,371	2,025,672

The caption Subordinated debt – CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares. The Bank repaid in May 2014 the amount of Euros 400,000,000 of core tier I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of BCP's capital ratios and as announced during the recent capital increase.

The referred instruments were issued under the scope of the recapitalisation program of the Bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As mentioned in note 48, it was made in June 2015 a public exchange offer of securities for shares which aimed to reinforce the Bank's share capital. This operation was led through contributions in kind, as part of new entries consisting of the subordinated securities issued by the Bank in the amount of Euros 370,632,000 and that involved the extinction of these emissions.

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					
BANCO COMERCIAL PORTUGUÊS:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	52,587	52,587
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	14,888	14,888
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (ii)	14,791	14,791
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	9,278	9,278
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.750%	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 6.383%	7,500	8,122
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.310%	50,000	52,176
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	40,887
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.150%	26,600	26,527
Mill Bcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.010%	14,000	13,488
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9.000%	23,000	22,654
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.150%	51,000	50,311
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9.000%	25,000	24,545
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9.000%	26,250	25,140
BANK MILLENNIUM:					
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2.000%	149,916	149,916
BCP FINANCE BANK:					
BCP Fin Bank Ltd EMTN - 295	December, 2006	December, 2016	See reference (iv)	71,209	71,202
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13.000%	82,447	59,370
MAGELLAN NO. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44
					849,026
PERPETUAL BONDS					
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	-	See reference (v)	93	68
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	23,025	23,256
BCP Leasing 2001	December, 2001	-	Euribor 3M + 2.250%	5,436	5,436
					28,760
COCOS					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (vi)	750,000	759,813
Accruals					7,772
					1,645,371

References:
(i) - 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(ii) - Until the 5th year Fixed rate 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iii) - 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%;
(iv) - Euribor 3M + 0.300% (0.800% after December 2011);
(v) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(vi) - 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)

	2015	2014
Up to 1 year	**71,202**	-
1 to 5 years	**1,265,123**	1,428,605
Over 5 years	**272,514**	558,765
Undetermined	**28,760**	28,510
	1,637,599	2,015,880
Accruals	**7,772**	9,792
	1,645,371	2,025,672

40. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Creditors:		
Suppliers	**34,562**	35,842
From factoring operations	**12,117**	6,132
Associated companies	**120**	798
Other creditors	**254,531**	236,944
Public sector	**44,534**	56,712
Interests and other amounts payable	**108,518**	98,533
Deferred income	**10,431**	9,804
Holiday pay and subsidies	**57,899**	61,900
Other administrative costs payable	**2,996**	3,347
Amounts payable on trading activity	**131,793**	14,859
Other liabilities	**417,174**	526,721
	1,074,675	1,051,592

The balance Creditors – Other creditors includes the amount of Euros 46,308,000 (31 December 2014: Euros 48,201,000) related to the seniority premium, as described in note 50.

Additionally, this balance includes the amount of Euros 20,263,000 (31 December 2014: Euros 24,212,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees. This balance also included, in 31 December 2014, the amount of Euros 35,164,000 regarding the restructuring provision, related to the resizing program agreed with the European Commission. This provision was used during 2015, under the restructuring process.

The balance Creditors – Other creditors also includes the amount of Euros 4,245,000 (31 December 2014: Euros 3,153,000), 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 50. These obligations are not covered by the Pension Fund and therefore, correspond to amounts payable by the Group.

The caption Other liabilities included, as at 31 December 2014, the amount of Euros 38,020,000 regarding liabilities associated with post-employment benefits, as described in note 50.

41. SHARE CAPITAL, PREFERENCE SHARES AND OTHER EQUITY INSTRUMENTS

The Bank's share capital amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

Following the authorization given in the Annual General Meeting of Shareholders of 11 May 2015, the Bank carried out 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.

On 24 July 2014, the Bank had registered a share capital increase from Euros 1,465,000,000 to Euros 3,706,690,253.08 through the issuance of new 34,487,542,355 ordinary, book-entry and nominates shares, without nominal value, which were offered to the Bank's shareholders for subscription through the exercise of their pre-emptive subscription rights.

In accordance with the Shareholders General Meeting in 30 May of 2014, the Bank had reduced the share capital from Euros 3,500,000,000 to Euros 1,465,000,000, without changing the number of shares without nominal value at this date, being the reduction of Euros 2,035,000,000 to cover losses on the separate financial statements of the Bank occurred in the year 2013.

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:
– 5,000,000 Perpetual Non-cumulative Guaranteed Non-voting Preference Shares with par value of Euros 100 each, in the total amount of Euros 500,000,000, issued on 9 June 2004.
– 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights, in the total amount of Euros 500,000,000, issued on 13 October 2005.

In October 2011 and July 2015, the majority of the preference shares were exchanged for new debt instruments. As at 31 December 2015, the balance preference shares amounts to Euros 59,910,000.

The balance other equity instruments includes three issues of perpetual subordinated debt securities analysed as follows:
– In June 2009, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
– In August 2009, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
– In December 2009, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offerings of perpetual subordinated securities for ordinary shares, performed in 2011 and 2015. As at 31 December 2015, the balance amounts to Euros 2,922,000.

Pursuant to the conditions of the issue of Core Tier I 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 2015, shareholders holding individually or together with their affiliates, 2% or more of the share capital of the Bank, is as follows:

(Thousands of Euros)

Shareholder	Number of shares	% share capital	% voting rights
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	10,534,115,358	17.84%	17.84%
Sabadell Group	2,994,863,413	5.07%	5.07%
EDP Group	1,599,763,651	2.71%	2.71%
BlackRock (*)	1,308,152,656	2.22%	2.22%
Interoceânico Group	1,207,659,500	2.04%	2.04%
TOTAL QUALIFIED SHAREHOLDINGS	17,644,554,578	29.88%	29.88%

(*) According to the latest available information (BlackRock on 24 July, 2014).

42. LEGAL RESERVE

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. The Bank maintained its legal reserve in the amount of Euros 193,270,000.

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.

43. FAIR VALUE RESERVES, OTHER RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
FAIR VALUE RESERVES		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**43,222**	177,879
Loans represented by securities (*)	**(15)**	(20)
Financial assets held to maturity (*)	**(381)**	(1,207)
Of associated companies and others	**10,559**	2,056
Cash-flow hedge	**(24,550)**	(28,529)
	28,835	150,179
TAX		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**(10,167)**	(48,764)
Loans represented by securities	**4**	6
Financial assets held to maturity	**110**	356
Cash-flow hedge	**4,468**	5,121
	(5,585)	(43,281)
Fair value reserve net of taxes	**23,250**	106,898
Others	**(2,483,578)**	(2,383,487)
	(2,460,328)	(2,276,589)
OTHER RESERVES AND RETAINED EARNINGS:		
Legal reserve	**193,270**	193,270
Statutory reserve	**30,000**	30,000
Other reserves and retained earnings	**2,626,089**	2,788,179
Other reserves arising on consolidation	**(173,557)**	(169,875)
	2,675,802	2,841,574

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

The changes occurred, during 2015, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

(Thousands 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
Other investments	114,982	-	(29,965)	56,675	(17,950)	123,742
	178,708	282,216	(49,959)	56,675	(414,255)	53,385

In addition, the assets included in level 3 also include the value of the investment held by the Banco Comercial Português, S.A. and Bank Millennium,S.A. (Poland) in Visa Europe Limited in the amount of Euros 43,312,000 as a result of their valuation for the current transaction Visa International, as referred in notes 24 and 48.

The changes occurred during 2014, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

(Thousands of Euros)

	2014					
	Balance on 1 January	Transfers	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	(44,463)	-	40,561	-	-	(3,902)
Portuguese public debt securities	89,412	-	274,948	-	(296,732)	67,628
Other investments	34,650	-	(5,338)	91,345	(5,675)	114,982
	79,599	-	310,171	91,345	(302,407)	178,708

44. TREASURY STOCK

This balance is analysed as follows

	Banco Comercial Português, S.A. shares	Other treasury stock	Total
2015			
Net book value (Euros '000)	**1,187**	**-**	**1,187**
Number of securities	**24,280,365(*)**		
Average book value (Euros)	**0.05**		
2014			
Net book value (Euros '000)	1,595	11,952	13,547
Number of securities	24,280,365(*)		
Average book value (Euros)	0.07		

(*) As at 31 December 2015, Banco Comercial Português, S.A. does not held treasury stocks and does not performed any purchases or sales of own shares during the period. However, as at 31 December 2015, this balance includes 24,280,365 shares (31 December 2014: 24,280,365 shares) owned by clients. Considering the fact that for these clients there is evidence of impairment, under the IAS 39, the shares of the Bank owned by these clients were, in accordance with this standard, considered as treasury stock, and, in accordance with the accounting policies, written off from equity.

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

Regarding treasury stock owned by associated companies listed in note 60, as at 31 December 2015, the Millenniumbcp Ageas Group owned 652,087,518 BCP shares (31 December 2014: 652,087,518 shares) in the amount of Euros 31,822,000 (31 December 2014: Euros 42,842,000).

45. NON-CONTROLLING INTERESTS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Actuarial losses (net of taxes)	**(728)**	(526)
Exchange differences arising on consolidation	**(111,771)**	(40,300)
Fair value reserves	**5,059**	(9,268)
Deferred taxes	**(1,189)**	1,582
	(108,629)	(48,512)
Other reserves and retained earnings	**1,166,031**	822,883
	1,057,402	774,371

The balance Non-controlling interests is analysed as follows:

(Thousands of Euros)

	Balance Sheet		Income Statement	
	2015	2014	2015	2014
Bank Millennium, S.A.	**754,037**	465,303	**59,206**	53,634
BIM – Banco Internacional de Moçambique, S.A.	**136,428**	151,942	**29,257**	30,565
Banco Millennium Angola, S.A.	**167,560**	157,140	**37,764**	25,560
Other subsidiaries	**(623)**	(14)	**(610)**	301
	1,057,402	774,371	**125,617**	110,060

(Thousands of Euros)

			% held non-controlling interests	
Name	Head office	Segment	2015	2014
Bank Millennium, S.A.	Warsaw	Bank	**49.9%**	34.5%
BIM – Banco Internacional de Moçambique, S.A.	Maputo	Bank	**33.3%**	33.3%
Banco Millennium Angola, S.A.	Luanda	Bank	**49.9%**	49.9%

At the end of March 2015, the Group sold 15.41% of the share capital of Bank Millennium S.A. (Poland) through the accelerated placement of 186,979,631 ordinary shares at unit price of PLN 6.65, which generated a gain of Euros 30,988,000 recognized against reserves.

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:

(Thousands of Euros)

	Bank Millennium, S.A.		BIM – Banco Internacional de Moçambique, S.A.		Banco Millennium Angola, S.A.	
	2015	2014	**2015**	2014	**2015**	2014
Income	**772,562**	832,658	**344,366**	311,195	**260,002**	190,966
Net profit for the year	**130,694**	155,243	**84,243**	88,451	**75,679**	51,222
Net profit for the year attributable to the shareholders	**71,488**	101,609	**54,986**	57,886	**37,915**	25,662
Net profit for the year attributable to non-controlling interests	**59,206**	53,634	**29,257**	30,565	**37,764**	25,560
Other comprehensive income attributable to the shareholders	**1,964**	3,383	**(7)**	(475)	**309**	(2,309)
Other comprehensive income attributable to non-controlling interests	**18,739**	1,781	**(4)**	(237)	**307**	(2,300)
Total comprehensive income	**151,397**	160,407	**84,232**	87,739	**76,295**	46,613
Financial assets	**15,325,430**	14,036,588	**2,205,402**	2,376,925	**2,139,466**	1,736,450
Non-financial assets	**208,530**	177,697	**149,508**	198,844	**204,198**	213,776
Financial liabilities	**(13,716,673)**	(12,657,377)	**(1,817,368)**	(1,983,484)	**(1,907,496)**	(1,585,230)
Non-financial liabilities	**(306,190)**	(207,689)	**(137,401)**	(146,869)	**(100,377)**	(50,086)
Equity	**1,511,097**	1,349,219	**400,141**	445,416	**335,791**	314,910
Equity attributed to the shareholders	**757,060**	883,916	**263,713**	293,474	**168,231**	157,770
Equity attributed to the non-controlling interests	**754,037**	465,303	**136,428**	151,942	**167,560**	157,140
Cash flows arising from:						
operating activities	**1,035,021**	(111,755)	**(2,398)**	83,634	**116,820**	66,781
investing activities	**(542,673)**	(362,497)	**(10,128)**	(41,568)	**(367,859)**	(193,473)
financing activities	**(151,652)**	157,321	**6,934**	(20,903)	**549,281**	129,197
Net increase / (decrease) in cash and equivalents	**340,696**	(316,931)	**(5,592)**	21,163	**298,242**	2,505
Dividends paid during the year:						
attributed to the shareholders	**-**	41,679	**18,897**	17,120	**-**	-
attributed to the non-controlling interests	**-**	21,941	**10,157**	9,115	**-**	-
	-	63,620	**29,054**	26,235	**-**	-

46. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Guarantees granted	**5,237,115**	5,482,897
Guarantees received	**31,396,270**	31,254,692
Commitments to third parties	**7,064,498**	7,453,290
Commitments from third parties	**11,778,091**	10,769,188
Securities and other items held for safekeeping on behalf of customers	**130,088,758**	119,368,385
Securities and other items held under custody by the Securities Depository Authority	**135,146,255**	123,425,276
Other off balance sheet accounts	**137,284,775**	135,896,783

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euros)

	2015	2014
GUARANTEES GRANTED		
Guarantees	**4,185,448**	4,145,369
Stand-by letter of credit	**84,586**	93,034
Open documentary credits	**532,323**	464,433
Bails and indemnities	**434,758**	780,061
	5,237,115	5,482,897
COMMITMENTS TO THIRD PARTIES		
Irrevocable commitments		
Term deposits contracts	**929**	16,292
Irrevocable credit lines	**2,077,530**	2,462,932
Other irrevocable commitments	**280,288**	291,835
Revocable commitments		
Revocable credit lines	**3,874,928**	3,706,528
Bank overdraft facilities	**592,400**	751,355
Other revocable commitments	**238,423**	224,348
	7,064,498	7,453,290

The guarantees granted by the Group may be related to loans transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According to its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow.

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited since they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in 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.

47. 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:

(Thousands of Euros)

	2015	2014
Banco Comercial Português, S.A.	**1,915,490**	1,534,264
Millennium bcp Bank & Trust	**12,280**	14,731
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**-**	1,467,802
BII Investimentos International, S.A.	**-**	73,538
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	**1,359,883**	1,518,606
Millennium TFI S.A.	**930,840**	834,865
	4,218,493	5,443,806

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:

(Thousands of Euros)

	2015	2014
Real-estate investment funds	**1,359,883**	1,518,606
Wealth management	**1,927,770**	1,548,995
Assets under deposit	**123,026,536**	111,104,414
	126,314,189	114,172,015

48. RELEVANT EVENTS OCCURRED DURING 2015

Increase of the Bank's Share Capital from Euros 3,706,690,253.08 to Euros 4,094,235,361.88

In June 2015, Banco Comercial Português, S.A. 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.

Conclusion of the sale of the whole share capital of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

Banco Comercial Português, S.A. concluded, in May 2015, the sale of the whole share capital of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A. to Corretaje e Información Monetária y de Divisas, S.A. (CIMD Group).

The Bank will continue to sell investment funds managed by MGA, which is the depositary.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded, on 11 May 2015, the Annual General Meeting of Shareholders, with 46.63% of the share capital represented and the following resolutions:
(i) Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2014;
(ii) Approval of the appropriation of the net losses on the individual balance sheet for Retained Earnings;

(iii) 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 and its representative;
(iv) Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;
(v) Approval of the policy for the selection and evaluation of the adequacy of the Members of the Management and Supervision Bodies;
(vi) Approval of the cooptation of a non executive member of the Board of Directors to exercise functions in the triennial 2012/2014;
(vii) Approval of the election of the members of the Board of Directors and of the Audit Committee to exercise functions in the triennial 2015/2017;
(viii) Approval of the election of the members of the International Strategic Board to exercise functions in the triennial 2015/2017;
(ix) Approval of the election of the members of the Remuneration and Welfare Board to exercise functions in the triennial 2015/2017, and of their remuneration;
(x) Approval of the appointment of a firm of independent statutory auditors, to, pursuant to article 28 of the Companies Code, make a report on the contributions in kind to be made within the scope of the subscription of shares to be issued by new contributions in kind object of Item Eleven of the Agenda of the general meeting;
(xi) Approval of the launching of a public offer for the exchange of subordinated securities and consequent increase of the share capital by contributions in kind up to 428,000,000.00 Euros, made through the issue of up to 5,350,000,000 new shares without nominal value, under which:

a) the new contributions will be composed of securities issued by the Bank and by the subsidiary company BCP Finance Company Ltd with the ISIN PTBCPMOM0002, PTBCLWXE0003, PTBCPZOE0023, PTBIPNOM0062, PTBCTCOM0026, XS0194093844 and XS0231958520, and
b) these new shares will be issued with an issue price per share corresponding to 93% of the weighted average per volumes of the BCP share price in the regulated market Euronext Lisbon, in the five trading days immediately before the exchange public offer is launched, and, without prejudice to the minimum amount required by law, the issue price of up to 0.08 Euros per share corresponding to the issue value and the remaining amount corresponding to the premium, and on the consequent alteration of the articles of association (article 4.1);

(xii) Approval of the acquisition and sale of own shares or bonds.

Sale of 15.41% of the share capital of Bank Millennium S.A. (Poland)

At the end of March 2015, as part of an accelerated placement operation, the Group sold to institutional investors 186,979,631 shares of Bank Millennium, S.A. (Poland), representing 15.41% of the share capital of the Bank for the amount of approximately Euros 304 million (PLN 1,240 million).

Following this transaction, the Group now holds a 50.1% stake in the share capital of the Bank maintaining control in accordance with IFRS 10. This operation generated a gain of Euros 30.988 million on a consolidated basis, which had no impact on profit and loss because the transaction did not imply change of control of the subsidiary. The gain generated is net of recycling of foreign exchange reserves and the fair value of to the investment sold.

Under this operation, and considering an option provided for in IFRS, the Group incorporated in the calculation of the gain the amortization of a portion of the goodwill of Bank Millennium, S.A. (Poland) according to the proportion of the sold stake (23.5%). The goodwill currently associated with the investment in Bank Millennium, S.A. (Poland) amounts to Euros 126 million (31 December 2014: Euros 164 million).

Assessment process scenarios for ActivoBank

On 24 February 2015, Banco Comercial Português, S.A. informed about the process of evaluation of various strategic scenarios that promote the appreciation of ActivoBank, the online reference bank in Portugal.

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, however no final decision has yet been made regarding the sale of ActivoBank.

Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., thereby creating the conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

BCP signed, on 8 October, 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.

Proposal of acquisition of Visa Europe Ltd. by Visa Inc

It was announced on 2 November 2015 by Visa Inc. a proposal of acquisition of Visa Europe Ltd by Visa Inc. In accordance with the information published by Visa Inc., the value of the transaction includes Euros 16,500 million paid up-front to the beneficiaries and, in addition, potentially up to Euros 4,700 million, as an earn-out payable following the fourth anniversary of completion of the transaction, totaling a transaction amount of up to Euros 21,200 million. The upfront amount considers a cash payment of Euros 11,500 million and Euros 5,000 million of preference shares convertible into ordinary Visa Inc. class A common shares.

Both BCP and Bank Millennium, as key members of Visa Europe Ltd, will benefit from this transaction.

On this basis and as referred in notes 24 and 43, the investment were valued based on the estimated values. These amounts are not final and are subject to adjustments until the determination of final amounts, which is expected to occur during the first quarter of 2016. Also, in accordance with the indicative time-table, the upfront payments are expected to occur until the end of the first semester of 2016, but terms and implementation of the upfront payment are subject to regulatory approvals.

Both Banks may also receive earn-outs after the fourth anniversary of the completion of the transaction. The amount of each earn-out will depend on each Bank's share in Visa's business in the four consecutive years counting from the completion of the transaction.

The initially estimated amounts regarding the cash payments were recognised in Fair Value Reserves in 2015. Until this date, the asset was carried at cost considering that there was no reliability in the determination of fair value.

49. 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 of the Group are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.05% as at 31 December 2015 (31 December 2014: 0.05%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. 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). As at 31 December 2015, the average discount rate was 0.60% for loans and advances and -0.13% for deposits. As at 31 December 2014, the rates were 1.10% and -0.36%, 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, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the--counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps.

The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months. The average discount rate was 4.54% as at 31 December 2015 and 4.44% as at 31 December 2014. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Group to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the spread of the Group at the date of the report, which was calculated from the average production of the three most recent months. As at 31 December 2015, the average discount rate was 1.70% and as at 31 December 2014 was 1.65%.

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 5.25% (31 December, 2014: 6.97%) for subordinated debt placed on the institutional market. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 6.20% (31 December, 2014: 7.18%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.81% (31 December 2014: 2.06%) for issues placed on the institutional market and 1.87% (31 December, 2014: 2.97%) 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 2015 is a positive amount of Euros 23,061,000 (31 December 2014: a positive amount of Euros 63,163,000), and includes a receivable amount of Euros 9,288,000 (31 December 2014: a receivable amount of Euros 366,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2015, 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	-0.30%	0.55%	0.47%	1.50%
7 days	-0.30%	0.56%	0.48%	1.50%
1 month	-0.23%	0.63%	0.54%	1.55%
2 months	-0.20%	0.67%	0.62%	1.59%
3 months	-0.17%	0.75%	0.70%	1.62%
6 months	-0.10%	0.94%	0.83%	1.67%
9 months	-0.04%	1.12%	0.96%	1.68%
1 year	-0.06%	0.85%	1.10%	1.58%
2 years	-0.03%	1.15%	1.09%	1.65%
3 years	0.06%	1.38%	1.30%	1.74%
5 years	0.33%	1.70%	1.58%	1.99%
7 years	0.62%	1.93%	1.79%	2.21%
10 years	1.00%	2.17%	2.00%	2.43%
15 years	1.40%	2.40%	2.17%	2.71%
20 years	1.57%	2.51%	2.20%	2.73%
30 years	1.61%	2.60%	2.16%	2.73%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

(Thousands 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	-	-	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	73,127	-	-	73,127	73,127
Held to maturity financial assets	-	-	494,891	494,891	482,825
	1,413,950	10,779,030	56,003,428	68,196,408	65,722,643
Deposits from credit institutions	-	-	8,591,045	8,591,045	8,679,702
Amounts owed to customers	3,593,761	-	47,944,822	51,538,583	52,129,199
Debt securities	715,598	-	4,052,671	4,768,269	4,791,330
Financial liabilities held for trading	723,228	-	-	723,228	723,228
Hedging derivatives	541,230	-	-	541,230	541,230
Subordinated debt	-	-	1,645,371	1,645,371	1,615,364
	5,573,817	-	62,233,909	67,807,726	68,480,053

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2014:

(Thousands of Euros)

	2014				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	1,707,447	1,707,447	1,707,447
Loans and advances to credit institutions Repayable on demand	-	-	795,774	795,774	795,774
Other loans and advances	-	-	1,456,026	1,456,026	1,456,227
Loans and advances to customers	-	-	53,685,648	53,685,648	51,028,286
Financial assets held for trading	1,674,240	-	-	1,674,240	1,674,240
Financial assets available for sale	-	8,263,225	-	8,263,225	8,263,225
Assets with repurchase agreement	-	-	36,423	36,423	36,436
Hedging derivatives	75,325	-	-	75,325	75,325
Held to maturity financial assets	-	-	2,311,181	2,311,181	2,547,752
	1,749,565	8,263,225	59,992,499	70,005,289	67,584,712
Deposits from credit institutions	-	-	10,966,155	10,966,155	11,018,598
Amounts owed to customers	1,895,440	-	47,921,296	49,816,736	50,578,631
Debt securities	592,446	-	5,117,123	5,709,569	5,772,732
Financial liabilities held for trading	952,969	-	-	952,969	952,969
Hedging derivatives	352,543	-	-	352,543	352,543
Subordinated debt	-	-	2,025,672	2,025,672	2,319,453
	3,793,398	-	66,030,246	69,823,644	70,994,926

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2015:

(Thousands of Euros)

	2015				
	Level 1	Level 2	Level 3	Financial instruments at cost	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	178,854	19,147	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	1,608,837	71,707	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	52,217,799	90,854	65,722,643
Deposits from credit institutions	-	-	8,679,702	-	8,679,702
Amounts owed to customers	-	-	52,129,199	-	52,129,199
Debt securities	507,845	4,283,485	-	-	4,791,330
Financial liabilities held for trading	63,153	643,567	16,508	-	723,228
Hedging derivatives	-	541,230	-	-	541,230
Subordinated debt	-	1,615,364	-	-	1,615,364
	570,998	7,083,646	60,825,409	-	68,480,053

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2014:

(Thousands of Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Cash and deposits at Central Banks	1,707,447	-	-	-	1,707,447
Loans and advances to credit institutions Repayable on demand	795,774	-	-	-	795,774
Other loans and advances	-	-	1,456,227	-	1,456,227
Loans and advances to customers	-	-	51,028,286	-	51,028,286
Financial assets held for trading	668,595	991,304	9	14,332	1,674,240
Financial assets available for sale	5,009,841	1,782,205	1,375,926	95,253	8,263,225
Assets with repurchase agreement	-	-	-	36,436	36,436
Hedging derivatives	-	75,325	-	-	75,325
Held to maturity financial assets	2,172,301	375,451	-	-	2,547,752
	10,353,958	3,224,285	53,860,448	146,021	67,584,712
Deposits from credit institutions	-	-	11,018,598	-	11,018,598
Amounts owed to customers	-	-	50,578,631	-	50,578,631
Debt securities	392,528	5,380,204	-	-	5,772,732
Financial liabilities held for trading	98,880	845,587	8,502	-	952,969
Hedging derivatives	-	352,543	-	-	352,543
Subordinated debt	-	2,319,453	-	-	2,319,453
	491,408	8,897,787	61,605,731	-	70,994,926

The Group uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access;

- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument;

- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market in which transactions of the financial instrument occur with sufficient frequency and volume to provide prices information on an ongoing basis and for this purpose should verify the following conditions:
- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:
- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

50. 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 2015 and 2014, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2015	2014
NUMBER OF PARTICIPANTS		
Pensioners	**16,432**	16,337
Former Attendees Acquired Rights	**3,360**	3,216
Employees	**7,713**	8,054
	27,505	27,607

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and the respective funding for the Group based on the projected unit credit method are analysed as follows:

(Thousands of Euros)

	2015	2014
PROJECTED BENEFIT OBLIGATIONS		
Pensioners	**1,865,380**	1,835,678
Former Attendees Acquired Rights	**210,829**	187,812
Employees	**1,059,478**	1,109,165
	3,135,687	3,132,655
Pension fund value	**(3,157,869)**	(3,094,635)
Net (assets) / liabilities in balance sheet	**(22,182)**	38,020
Accumulated actuarial losses recognised in Other comprehensive income	**2,921,795**	2,811,018

The change in the projected benefit obligations is analysed as follows:

(Thousands of Euros)

	2015			2014
	Pension benefit obligations	**Extra-Fund**	**Total**	Total
BALANCE AS AT 1 JANUARY	**2,789,347**	**343,308**	**3,132,655**	2,533,235
Service cost	**(2,134)**	**203**	**(1,931)**	(4,435)
Interest cost / (income)	**68,847**	**8,309**	**77,156**	97,520
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	**317**	**46**	**363**	221
Arising from changes in actuarial assumptions	**-**	**-**	**-**	573,880
Transfers of the Fund's liabilities (death subsidy)	**18,313**	**(18,313)**	**-**	-
Payments	**(65,711)**	**(21,886)**	**(87,597)**	(79,297)
Early retirement programmes	**6,289**	**(145)**	**6,144**	1,009
Contributions of employees	**8,728**	**-**	**8,728**	9,778
Transfer from other plans	**169**	**-**	**169**	744
BALANCE AT THE END OF THE YEAR	**2,824,165**	**311,522**	**3,135,687**	3,132,655

As at 31 December 2015, the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 65,711,000 (31 December 2014: Euros 57,243,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2015, to the amount of Euros 330,210,000 (31 December 2014: Euros 298,354,000).

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2015 amounts to Euros 74,453,000 (31 December 2014: Euros 78,406,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree-Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

The change in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE AS AT 1 JANUARY	**3,094,635**	2,547,275
Expected return on plan assets	**71,425**	94,417
Actuarial gains and (losses)	**(110,414)**	96,860
Contributions to the Fund	**153,183**	400,000
Payments	**(65,711)**	(57,243)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**5,854**	2,804
Employees' contributions	**8,728**	9,778
Transfers from other plans	**169**	744
BALANCE AT THE END OF THE YEAR	**3,157,869**	3,094,635

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of Euros)

	2015	2014
Shares	**652,777**	746,123
Bonds and other fixed income securities	**1,316,579**	907,943
Participations units in investment funds	**123,720**	190,193
Participation units in real estate funds	**240,172**	274,598
Properties	**302,212**	302,190
Loans and advances to credit institutions and others	**522,409**	673,588
	3,157,869	3,094,635

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2015 amounts to Euros 301,631,000 (31 December 2014: Euros 301,507,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of Euros)

	2015	2014
Fixed income securities	**130,009**	129,992
Loans and advances to credit institutions and others	**524,652**	650,038
	654,661	780,030

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE AS AT 1 JANUARY	**38,020**	(14,040)
RECOGNISED IN THE INCOME STATEMENT:		
Service cost	**(1,931)**	(4,435)
Interest cost / (income) net of the balance liabilities coverage	**5,731**	3,103
Cost with early retirement programs	**6,144**	1,009
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**(5,854)**	(2,804)
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	**110,414**	(96,860)
Difference between expected and effective obligations	**363**	221
Arising from changes in actuarial assumptions	**-**	573,880
CONTRIBUTIONS TO THE FUND	**(153,183)**	(400,000)
PAYMENTS	**(21,886)**	(22,054)
BALANCE AT THE END OF THE YEAR	**(22,182)**	38,020

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 (31 December 2014: Euros 1,557,000) were recognised against the restructuring provision as referred in note 40.

As at 31 December 2015, the Group's companies made contributions in cash to the Pension Fund in the amount of Euros 153,183,000 (31 December 2014: Euros 400,000,000).

In accordance with IAS 19, as at 31 December 2015, the Group accounted post-employment benefits as a cost in the amount of Euros 3,298,000, which is analysed as follows:

(Thousands of Euros)

	2015		
	Continuing operations	Discontinued operations	Total
Service cost	(1,912)	(19)	(1,931)
Net interest cost / (income) in the liability coverage balance	5,729	2	5,731
Cost / (income) with early retirement programs and mutually agreed terminations	(359)	(143)	(502)
(Income) / Cost of the year	3,458	(160)	3,298

In accordance with IAS 19, as at as at 31 December 2014, the Group accounted post-employment benefits as an income in the amount of Euros 1,570,000, which is analysed as follows:

(Thousands of Euros)

	2014		
	Continuing operations	Discontinued operations	Total
Service cost	(4,376)	(59)	(4,435)
Net interest cost / (income) in the liability coverage balance	3,101	2	3,103
Other	(160)	(78)	(238)
(Income) / Cost of the year	(1,435)	(135)	(1,570)

As the Board Members 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.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,245,000 (31 December 2014: Euros 3,153,000). As referred in note 40, the changes occurred resulted from the future updates in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

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)

	2015	2014
BALANCE AS AT 1 JANUARY	**3,153**	4,176
Charge / (Write-back)	**1,092**	(1,023)
BALANCE AT THE END OF THE YEAR	**4,245**	3,153

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:

	2015	2014
Increase in future compensation levels	**0.75% until 2017 1% after 2017**	0.75% until 2017 1% after 2017
Rate of pensions increase	**0% until 2017 0.5% after 2017**	0% until 2017 0.5% after 2017
Projected rate of return of plan assets	**2.5%**	2.5%
Discount rate	**2.5%**	2.5%
Mortality tables		
Men	**TV 73/77 – 2 years**	TV 73/77 – 2 years
Women	**TV 88/90 – 3 years**	TV 88/90 – 3 years
Disability rate	**0%**	0%
Turnover rate	**0%**	0%
Costs with health benefits increase rate	**6.5%**	6.5%

The mortality tables consider an age inferior to the effective age of the beneficiaries, two years for men and three years for women, which results in a higher average life expectancy.

The assumptions used on the calculation of the employees' benefits are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

The determination of the discount rate took into account (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

The Group taking into consideration (i) the positive deviations observed in the last financial year and (ii) the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.75% by 2017 and 1.0% from 2017 and a growth rate of pensions from 0% by 2017 and 0.50% from 2017.

In accordance with the requirements of IAS 19, the rate of return on plan assets considered in the calculation of the present value of the liabilities corresponds to the discount rate.

However, the estimated expected return for December 2016 is presented below, based on the 31 December 2015 portfolio:

Asset class	Portfolio %	Estimated return
Shares	20.67%	8.90%
Bonds and other fixed income securities	41.69%	1.38%
Participations units in investment funds	3.92%	2.91%
Participation units in real estate funds	7.61%	0.06%
Properties	9.57%	6.58%
Loans and advances to credit institutions and others	16.54%	1.06%
Total income expected		3.34%

Net actuarial losses amounts to Euros 110,717,000 (31 December 2014: Net actuarial losses amounts to Euros 477,241,000) and are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains) / losses			
	2015		2014	
	Values effectively verified in %	**Euros '000**	Values effectively verified in %	Euros '000
DEVIATION BETWEEN EXPECTED AND ACTUAL LIABILITIES:				
Increase in future compensation levels	-	-	0.74%	(2,470)
Disability	-	-	0.12%	2,935
Mortality deviations	-	-	0.24%	6,167
Others	-	**363**	-0.25%	(6,412)
CHANGES ON THE ASSUMPTIONS:				
Discount rate	-	-	2.50%	769,465
Increase in future compensation levels	-	-	-	(123,174)
Pensions increase rate	-	-	-	(151,399)
Mortality tables		-		78,988
RETURN ON PLAN ASSETS	**-0.76%**	**110,414**	8.14%	(96,860)
		110,777		477,241

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			
	2015		2014	
	-0.25%	**0.25%**	-0.25%	0.25%
Discount rate	**139,730**	**(131,174)**	136,160	(129,321)
Pensions increase rate	**(130,601)**	**137,697**	(105,349)	111,919
Increase in future compensation levels	**(44,041)**	**46,261**	(49,290)	51,931

(Thousands of Euros)

	Impact resulting from changes in demographic assumptions			
	2015		2014	
	- 1 year	**+ 1 year**	- 1 year	+ 1 year
Mortality Table	**92,831**	**(93,419)**	91,936	(92,521)

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5%) and a negative variation (from 6.5% to 5.5%) in health benefit costs, which impact is analysed as follows:

(Thousands of Euros)

	Positive variation of 1% (6.5% to 7.5%)		Negative variation of 1% (6.5% to 5.5%)	
	2015	2014	**2015**	2014
Pension cost impact	**560**	587	**(560)**	(587)
Liability impact	**50,087**	50,897	**(50,087)**	(50,897)

The liabilities related to the seniority premium are not covered by the Group's Pension Fund because they are not considered post-employment liabilities. As at 31 December 2015, the liabilities associated with the seniority premium amount to Euros 46,308,000 (31 December 2014: Euros 48,201,000) and are covered by provisions in the same amount.

For 2015 and 2014, the cost of the seniority premium is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Service cost	**2,427**	**3**	**2,430**	2,502	11	2,513
Interest costs	**1,149**	**2**	**1,151**	1,868	10	1,878
Actuarial gains and (losses)	**(1,328)**	**(119)**	**(1,447)**	(465)	(2)	(467)
Cost of the year	**2,248**	**(114)**	**2,134**	3,905	19	3,924

51. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 60 – List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

According to Portuguese law, in particular under 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 41.

a) Transactions with qualified shareholders

As at 31 December 2015, the balances reflected in assets and liabilities of balance sheet with qualified shareholders are analysed as follows:

(Thousands of Euros)

	2015				
	Loans and advances to customers	Financial assets (Securities and derivatives)	Impairment	Deposits from credit institutions	Deposits from customers
Sonangol Group (*)	71,555	-	581	-	104,855
Sabadell Group	-	29,087	4	810	-
EDP Group	77,769	97,581	319	-	12,596
	149,324	126,668	904	810	117,451

(*) The balance Loans and advances to customers – Sonangol Group includes the amount of Euros 44,870,000 and Euros 18,153,000 related to credits granted to Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. e Luanda Waterfront Corporation, respectively. Since these companies are associated of the Group, these amounts are also disclosed in paragraph c) of this note – Transactions with associated companies.

As at 31 December 2014, the balances with qualified shareholders reflected in assets of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2014				
	Loans and advances to customers	Financial assets (Securities and derivatives)	Impairment	Other assets	Total
Sonangol Group (*)	69,746	-	489	-	70,235
Sabadell Group	1	35,997	-	-	35,998
EDP Group	84,011	25,926	294	-	110,231
Interoceânico Group	15	-	-	-	15
Ageas Group	643	51,437	-	12,971	65,051
	154,416	113,360	783	12,971	281,530

(*) The balance Loans and advances to customers – Sonangol Group includes the amount of Euros 45,085,000 and Euros 15,702,000 related to credits granted to Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. e Luanda Waterfront Corporation, respectively. Since these companies are associated of the Group, these amounts are also disclosed in paragraph c) of this note – transactions with associated companies.

As at 31December 2014, the balances with qualified shareholders reflected in liabilities of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2014					
	Deposits from credit institutions	Deposits from customers	Debt securities issued	Subordinated debt	Financial Liabilities (Derivatives)	Total
Sonangol Group	-	85,122				85,122
Sabadell Group	101,408	-	-	-	-	101,408
EDP Group	-	191,958	-	-	-	191,958
Interoceânico Group	-	350	-	-	-	350
Ageas Group	-	625,109	1,754,087	505,461	152,327	3,036,984
	101,408	902,539	1,754,087	505,461	152,327	3,415,822

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in income items of the Consolidated Income Statement, are as follows:

(Thousands of Euros)

	Interest and similar income		Commissions income	
	2015	2014	**2015**	2014
Sonangol Group	**6,808**	6,870	**89**	14
Sabadell Group	**1,765**	1,919	**88**	96
EDP Group	**3,540**	10,247	**1,959**	3,028
Interoceânico Group	**-**	-	**-**	164
Ageas Group	**-**	-	**-**	61,927
	12,113	19,036	**2,136**	65,229

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in expenses items of the Consolidated Income Statement, are as follows:

(Thousands of Euros)

	Interest and similar expenses		Commissions expenses	
	2015	2014	**2015**	2014
Sonangol Group	**7**	20	**1**	1
Sabadell Group	**-**	1	**-**	-
EDP Group	**832**	9,931	**36**	9
Ageas Group	**-**	90,055	**-**	-
	839	100,007	**37**	10

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

(Thousands of Euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	2015	2014	**2015**	2014	**2015**	2014
Sonangol Group	**2,695**	3	**157**	110	**156**	-
Sabadell Group	**10,151**	8,838	**10**	9	**-**	-
EDP Group	**29,366**	173,824	**67,620**	70,962	**150,000**	-
Interoceânico Group	**-**	3,220	**-**	11,088	**-**	10,531
Ageas Group	**-**	548	**-**	23,250	**-**	-
	42,212	186,433	**67,787**	105,419	**150,156**	10,531

b) Transactions with members of the Board of Directors and key management members

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:

(Thousands of Euros)

	2015				
	Loans and advances to credit institutions	Loans and advances to customers	Financial assets (Derivatives)	Other assets	Total
BOARD OF DIRECTORS					
Non-executive directors	-	26	-	-	26
Executive Committee	-	159	-	-	159
Closely related people	-	20	-	-	20
Controlled entities	149,743	-	27	5,473	155,243
KEY MANAGEMENT MEMBERS					
Key management members	-	6,950	-	-	6,950
Closely related people	-	273	-	-	273
Controlled entities	-	302	-	-	302
	149,743	7,730	27	5,473	162,973

As at 31 December 2014, 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)

	2014				
	Loans and advances to credit institutions	Loans and advances to customers	Financial assets (Derivatives)	Other assets	Total
BOARD OF DIRECTORS					
Non-executive directors	-	20	-	-	20
Executive Committee	-	129	-	-	129
Closely related people	-	8	-	-	8
Controlled entities	70,073	994	-	3,823	74,890
KEY MANAGEMENT MEMBERS					
Key management members	-	8,274	-	-	8,274
Closely related people	-	294	-	-	294
Controlled entities	-	22	-	-	22
	70,073	9,741	-	3,823	83,637

As at 31 December 2015 and 2014, the balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

(Thousands of Euros)

	Deposits from credit institutions		Deposits from customers		Financial Liabilities (Derivatives)	
	2015	2014	**2015**	2014	**2015**	2014
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**3,454**	2,760	**-**	-
Executive Committee	**-**	-	**1,336**	391	**-**	-
Closely related people	**-**	-	**1,997**	2,029	**-**	-
Controlled entities	**39,519**	155,809	**5,238**	500	**9**	553
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**6,361**	6,650	**-**	-
Closely related people	**-**	-	**1,624**	1,298	**-**	-
Controlled entities	**-**	-	**174**	198	**-**	-
	39,519	155,809	**20,184**	13,826	**9**	553

As at 31 December 2015 and 2014, the balances with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

(Thousands of Euros)

	Interest and similar income		Dividends from equity instruments		Commissions income	
	2015	2014	**2015**	2014	**2015**	2014
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**-**	-	**99**	73
Executive Committee	**-**	-	**-**	-	**21**	15
Closely related people	**-**	-	**-**	-	**19**	8
Controlled entities	**4,074**	3,053	**2,290**	3,111	**513**	333
KEY MANAGEMENT MEMBERS						
Key management members	**59**	69	**-**	-	**49**	72
Closely related people	**10**	20	**-**	-	**13**	15
Controlled entities	**4**	1	**-**	-	**10**	2
	4,147	3,143	**2,290**	3,111	**724**	518

As at 31 December 2015 and 2014, the balances with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

(Thousands of Euros)

	Interest and similar expense		Commissions expense	
	2015	2014	**2015**	2014
BOARD OF DIRECTORS				
Non-executive directors	**39**	69	**2**	1
Executive Committee	**17**	30	**1**	-
Closely related people	**20**	14	**1**	-
Controlled entities	**142**	187	**13**	2
KEY MANAGEMENT MEMBERS				
Key management members	**97**	148	**2**	2
Closely related people	**14**	22	**1**	4
Controlled entities	**4**	2	**3**	1
	333	472	**23**	10

As at 31 December 2015 and 2014, Guarantees and revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

(Thousands of Euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	2015	2014	**2015**	2014	**2015**	2014
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**126**	201	**-**	35
Executive Committee	**-**	-	**124**	121	**-**	-
Closely related people	**-**	-	**133**	86	**-**	5
Controlled entities	**-**	412	**55**	87	**-**	-
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**525**	661	**-**	41
Closely related people	**-**	-	**184**	244	**-**	-
Controlled entities	**-**	-	**14**	5	**-**	-
	-	412	**1,161**	1,405	**-**	81

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	
	2015	2014	**2015**	2014	**2015**	2014
Remunerations	**2,176**	2,080	**578**	577	**5,394**	7,757
Supplementary retirement pension	**1,205**	702	**-**	-	**-**	-
Pension Fund	**19**	25	**-**	-	**61**	43
Other mandatory social security charges	**531**	468	**137**	152	**1,479**	1,918
Seniority premium	**44**	-	**-**	-	**143**	181
	3,975	3,275	**715**	729	**7,077**	9,899

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank.

During 2015, the amount of remuneration paid to the Executive Committee includes Euros 103,000 (2014: Euros 101,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, and has been regularized in early 2016, the amount of Euro 63,000, as mentioned in paragraph 77 of the "Corporate Governance Report".

During 2015 and 2014, no variable remuneration was attributed to the members of the Executive Committee.

During 2015, were paid Euros 4,729,000 (2014: Euros 929,000) of severance pay to some key management 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:

		Number of securities at		Changes during 2015			
Shareholders / Bondholders	Security	**31-12-2015**	31-12-2014	Acquisitions	Disposals	Date	Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
António Vítor Martins Monteiro (i)	BCP Shares	**18,119**	18,119				
Carlos José da Silva	BCP Shares	**1,165,812**	1,165,812				
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	**0**	30		30	13 / Mar / 15	
Nuno Manuel da Silva Amado	BCP Shares	**3,824,650**	3,824,650				
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	**0**	0				
André Magalhães Luiz Gomes	BCP Shares	**53,451**	53,451				
António Henriques Pinho Cardão (ii)	BCP Shares	**772,843**	772,843				
António Luís Guerra Nunes Mexia	BCP Shares	**11,330**	11,330				
Bernardo de Sá Braamcamp Sobral Sottomayor	BCP Shares	**0**	0				
Cidália Maria Mota Lopes	BCP Shares	**10,247**	10,247				
Jaime de Macedo Santos Bastos	BCP Shares	**4,037**	4,037				
João Bernardo Bastos Mendes Resende	BCP Shares	**0**	0				
João Manuel Matos Loureiro	BCP Shares	**13,180**	13,180				
José Jacinto Iglésias Soares	BCP Shares	**1,156,004**	1,056,004	100,000		14 / Sep / 15	0.0492

(continues)

(continuation)

		Number of securities at		Changes during 2015			
Shareholders / Bondholders	Security	**31-12-2015**	31-12-2014	Acquisitions	Disposals	Date	Unit Price Euros
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	**20,879**	20,879				
José Rodrigues de Jesus	BCP Shares	**0**	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	**275,002**	275,002				
Miguel de Campos Pereira de Bragança	BCP Shares	**1,715,485**	1,715,485				
Miguel Maya Dias Pinheiro	BCP Shares	**1,694,099**	1,694,099				
Raquel Rute da Costa David Vunge (iii)	BCP Shares	**0**	0				
Rui Manuel da Silva Teixeira (iv)	BCP Shares	**170,389**	170,389				
TOP MANAGEMENT							
Albino António Carneiro de Andrade	BCP Shares	**0**	0				
Américo João Pinto Carola (v)	BCP Shares	**37,745**	37,745				
Ana Isabel dos Santos de Pina Cabral (vi)	BCP Shares	**182,953**	182,953				
Ana Maria Jordão F. Torres Marques Tavares (vii)	BCP Shares	**713,055**	713,055				
Ana Sofia Costa Raposo Preto	BCP Shares	**9,553**	9,553				
André Cardoso Meneses Navarro	BCP Shares	**1,255,739**	1,255,739				
António Augusto Amaral de Medeiros	BCP Shares	**200,000**	200,000				
António Ferreira Pinto Júnior	BCP Shares	**100,000**	56,307	18,693		06 / Jul / 15	0.0720
				25,000		02 / Sep / 15	0.0610
António Luís Duarte Bandeira (viii)	BCP Shares	**500,008**	480,008	10,000		01 / Apr / 15	0.0890
				10,000		09 / Sep / 15	0.0540
Artur Frederico Silva Luna Pais	BCP Shares	**1,503,611**	1,503,611				
Belmira Abreu Cabral	BCP Shares	**90,458**	90,458				
Carlos Alberto Alves	BCP Shares	**500,002**	500,002				
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	**137,500**	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	**143,335**	143,335				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	**0**	0				
Francisco António Caspa Monteiro	BCP Shares	**222,365**	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	**275**	275				
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	**10,683**	10,683				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	**7,518**	7,518				
Jorge Manuel Machado de Sousa Góis	BCP Shares	**0**	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	**4,080,000**	0	4,080,000		15 / Sep / 15	0.0488
Luis Miguel Manso Correia dos Santos	BCP Shares	**100,000**	100,000				
Maria Manuela Correia Duro Teixeira	BCP Shares	**0**	0				

(continues)

(continuation)

Shareholders / Bondholders	Security	Number of securities at 31-12-2015	31-12-2014	Changes during 2015 Acquisitions	Disposals	Date	Unit Price Euros
Maria Manuela de Araujo Mesquita Reis	BCP Shares	**390,000**	250,000	20,000		28 / Jan / 15	0.0625
					20,000	27 / Feb / 15	0.0825
				20,000		03 / Sep / 15	0.0591
				10,000		03 / Sep / 15	0.0577
				10,000		04 / Sep / 15	0.0565
				10,000		07 / Sep / 15	0.0551
				50,000		14 / Sep / 15	0.0506
				20,000		28 / Sep / 15	0.0462
				20,000		10 / Nov / 15	0.0451
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	**0**	0				
Mário António Pinho Gaspar Neves	BCP Shares	**139,000**	88,999	50,001		10 / Sep / 15	0.0515
	Certificates BCPI S6P 500	**193**	193				
	Certificates BCPI Eurostox 50	**187**	187				
	Certificates BCPI DAX 30	**55**	0	55		11 / Feb / 15	107.5400
	Certificates BCP Nikkei	**11**	0	11		11 / Feb / 15	176.5300
	Certificado BCP Nasdaq	**0**	0	46		11 / Feb / 15	42.8100
					46	06 / Nov / 15	46.8000
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	**1,000,000**	875,000	125,000		30 / Nov / 15	0.0509
Nelson Luís Vieira Teixeira	BCP Shares	**21,420**	21,420				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	**135,000**	135,000				
Pedro José Mora de Paiva Beija	BCP Shares	**0**	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	**0**	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	**69,412**	69,412				
Ricardo Potes Valadares	BCP Shares	**102,986**	102,986				
Robert Gijsbert Swalef	BCP Shares	**225,000**	225,000				
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	**90,342**	90,342				
Rui Fernando da Silva Teixeira	BCP Shares	**946,059**	946,059				
Rui Manuel Pereira Pedro	BCP Shares	**700,000**	700,000				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	**0**	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	**0**	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	**0**	0				

(continues)

(continuation)

Shareholders / Bondholders	Security	Number of securities at 31-12-2015	Number of securities at 31-12-2014	Changes during 2015 Acquisitions	Disposals	Date	Unit Price Euros
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Ana Isabel Salgueiro Antunes (v)	BCP Shares	**2,217**	2,217				
Ana Margarida Rebelo A.M. Soares Bandeira (viii)	BCP Shares	**14,000**	0	14,000		16 / Jan / 15	0.0689
Eusébio Domingos Vunge (iii)	BCP Shares	**51,859**	0	51,859		12 / Jun / 15	0.0834
	Subordinated Bonds – BCP 2010/2020	**0**	5		5	12 / Jun / 15	865.0000
	Certific BCPi DAX 30	**46**	0	46		16 / Feb / 15	109.4600
	Certific BCPi EUROSTOXX 50	**142**	0	142		09 / Jun / 15	35.0900
	Particip. Units – IMGA Prestige Conservador	**1,343**	0	1,343		13 / Feb / 15	8.9358
Francisco Jordão Torres Marques Tavares (vii)	BCP Shares	**4,586**	4,586				
Isabel Maria V Leite P Martins Monteiro (i)	BCP Shares	**14,605**	14,605				
João Paulo Fernandes de Pinho Cardão (ii)	BCP Shares	**340,970**	340,970				
José Manuel de Vasconcelos Mendes Ferreira (vi)	BCP Shares	**12,586**	12,586				
Luís Miguel Fernandes de Pinho Cardão (ii)	BCP Shares	**14,550**	14,550				
Maria Avelina V C L J Teixeira Diniz (viii)	BCP Shares	**182,528**	182,528				
Maria da Graça dos Santos Fernandes de Pinho Cardão (ii)	BCP Shares	**28,833**	28,833				
Maria Helena Espassandim Catão (iv)	BCP Shares	**2,750**	2,750				

c) Transactions with associated companies

As at 31 December 2015, the balances with associated companies included in Assets items of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2015 Loans and advances to CI	Loans and advances to customers	Financial assets (Derivatives)	Other assets	Total
ACT-C-Indústria de Cortiças, S.A.	-	11	-	-	11
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A(*)	-	44,870	-	-	44,870
Beiranave Estaleiros Navais Beira Sarl	-	2,085	-	-	2,085
Luanda Waterfront Corporation(*)	-	18,153	-	-	18,153
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	58,994	57,593	13,109	129,696
Nanium, S.A.	-	22,967	-	12,318	35,285
Unicre – Instituição Financeira de Crédito, S.A.	717	-	-	-	717
	717	147,080	57,593	25,427	230,817

(*) The Loans and advances granted to Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. and to Luanda Waterfront Corporation are also reflected in the total loans granted to Sonangol Group, as referred in point a) of this note.

As at 31 December 2014, the balances with associated companies included in Assets items of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2014				
	Loans and advances to CI	Loans and advances to customers	Financial assets (Derivatives)	Other assets	Total
ACT-C-Indústria de Cortiças, S.A.	-	772	-	-	772
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A(*)	-	45,085	-	-	45,085
Beiranave Estaleiros Navais Beira Sarl	-	2,219	-	-	2,219
Luanda Waterfront Corporation(*)	-	15,702	-	27	15,729
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	643	51,437	12,971	65,051
Nanium, S.A.	-	18,743	-	12,318	31,061
Unicre – Instituição Financeira de Crédito, S.A.	403	-	-	-	403
	403	83,164	51,437	25,316	160,320

(*) The Loans and advances granted Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. and to Luanda Waterfront Corporation are also reflected in the total loans granted to Sonangol Group, as referred in point a) of this note.

As at 31 December 2015, the balances with associated companies included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2015					
	Deposits from CI	Deposits from customers	Debt securities issued	Subordinated debt	Financial Liabilities (Derivatives)	Total
Academia Millennium Atlântico	-	23	-	-	-	23
ACT-C-Indústria de Cortiças, S.A.	-	1	-	-	-	1
Banque BCP, S.A.S.	101,739	-	-	-	-	101,739
Banque BCP (Luxembourg), S.A.	179	-	-	-	-	179
Beiranave Estaleiros Navais Beira Sarl	-	568	-	-	-	568
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	548,536	1,639,210	509,012	107,656	2,804,414
Nanium, S.A.	-	6,269	-	-	-	6,269
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	2,657	-	-	-	2,657
SIBS, S.G.P.S, S.A.	-	6,811	-	-	-	6,811
Unicre – Instituição Financeira de Crédito, S.A.	7,724	-	-	-	-	7,724
	109,642	564,865	1,639,210	509,012	107,656	2,930,385

As at 31 December 2015, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 652,087,518 BCP shares in the amount of Euros 31,822,000.

As at 31 December 2014, the balances with associated companies included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2014					
	Deposits from CI	Deposits from customers	Debt securities issued	Subordinated debt	Financial Liabilities (Derivatives)	Total
Academia Millennium Atlântico	-	37	-	-	-	37
ACT-C-Indústria de Cortiças, S.A.	-	1	-	-	-	1
Banque BCP, S.A.S.	104,031	-	-	-	-	104,031
Banque BCP (Luxembourg), S.A.	229	-	-	-	-	229
Beiranave Estaleiros Navais Beira Sarl	-	160	-	-	-	160
Constellation, S.A.	-	22	-	-	-	22
Flitptrell III	-	3	-	-	-	3
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	625,109	1,754,087	505,461	152,327	3,036,984
Nanium, S.A.	-	1,714	-	-	-	1,714
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	-	1,024	-	-	-	1,024
SIBS, S.G.P.S, S.A.	-	346	-	-	-	346
Unicre – Instituição Financeira de Crédito, S.A.	367	-	-	-	-	367
VSC – Aluguer de Veículos Sem Condutor, Lda.	-	1,319	-	-	-	1,319
	104,627	629,735	1,754,087	505,461	152,327	3,146,237

As at 31 December 2014, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 652,087,518 BCP shares in the amount of Euros 42,842,000.

As at 31 December 2015, the balances with associated companies included in Income items of the consolidated income statement are as follows:

(Thousands of Euros)

	2015			
	Interest income	Commissions income	Other operating income	Total
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A(*)	5,326	-	-	5,326
Banque BCP, S.A.S.	-	3	-	3
Banque BCP (Luxembourg), S.A.	-	2	-	2
Beiranave Estaleiros Navais Beira Sarl	83	-	-	83
Luanda Waterfront Corporation(*)	620	-	-	620
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	2,852	53,372	1,579	57,803
Nanium, S.A.	136	137	-	273
SIBS, S.G.P.S, S.A.	-	5	-	5
Unicre – Instituição Financeira de Crédito, S.A.	218	1,684	-	1,902
	9,235	55,203	1,579	66,017

(*) The items interest income – Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. and Luanda Waterfront Corporation are also reflected in the total interest income regarding Sonangol Group, as referred in point a) of this note.

As at 31 December 2014, the balances with associated companies included in Income items of the consolidated income statement, are as follows:

(Thousands of Euros)

	2014			
	Interest income	Commissions income	Other operating income	Total
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A.(*)	6,270	-	-	6,270
Beiranave Estaleiros Navais Beira Sarl	4	-	-	4
Luanda Waterfront Corporation(*)	506	-	-	506
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	-	61,927	8,933	70,860
SIBS, S.G.P.S, S.A.	1	4	-	5
Unicre – Instituição Financeira de Crédito, S.A.	782	1,536	-	2,318
VSC – Aluguer de Veículos Sem Condutor, Lda.	87	57	58	202
	7,650	63,524	8,991	80,165

(*) The items interest income – Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A. and Luanda Waterfront Corporation, are also reflected in the total interest income regarding Sonangol Group, as referred in point a) of this note.

As at 31 December 2015, the balances with associated companies included in Expenses items of the consolidated income statement, are as follows:

(Thousands of Euros)

	2015			
	Interest expense	Commissions expense	Administrative costs	Total
Banque BCP, S.A.S.	10,217	-	-	10,217
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	65,162	-	82	65,244
Nanium, S.A.	1	-	-	1
SIBS, S.G.P.S, S.A.	3	-	-	3
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A	8	-	-	8
Unicre – Instituição Financeira de Crédito, S.A.	-	1	-	1
	75,391	1	82	75,474

As at 31 December 2014, the balances with associated companies included in Expenses items of the consolidated income statement, are as follows:

(Thousands of Euros)

	2014				
	Interest expense	Commissions expense	Staff costs	Administrative costs	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	90,055	-	2,988	7,641	100,684
SIBS, S.G.P.S, S.A.	42	-	-	-	42
Unicre – Instituição Financeira de Crédito, S.A.	-	1	-	-	1
	90,097	1	2,988	7,641	100,727

As at 31 December 2015 and 2014, the guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

(Thousands of Euros)

	Guarantees granted		Revocable credit lines	
	2015	2014	**2015**	2014
Beiranave Estaleiros Navais Beira Sarl	**33**	-	**-**	-
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group)	**85**	548	**-**	23,250
Nanium, S.A.	**5,305**	5,342	**32**	39
SIBS, S.G.P.S, S.A.	**-**	-	**469**	-
Sicit – Soc. de Investim. e Consultoria em Infra-Estruturas de Transportes, S.A.	**-**	22	**-**	18
Unicre – Instituição Financeira de Crédito	**-**	-	**9,370**	9,556
	5,423	5,912	**9,871**	32,863

As at 31 December 2015 and 2014, the remunerations resulting from the services of insurance intermediation or reinsurance, are as follows:

(Thousands of Euros)

	2015	2014
LIFE INSURANCE		
Saving products	**32,671**	32,410
Mortgage and consumer loans	**19,637**	18,816
Others	**36**	34
	52,344	51,260
NON - LIFE INSURANCE		
Accidents and health	**13,941**	13,196
Motor insurance	**2,809**	2,503
Multi-Risk Housing	**5,165**	4,736
Others	**1,081**	1,047
	22,996	21,482
	75,340	72,742

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental – Companhia Portuguesa de Seguros, SA.

The Group does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature and entity, are analysed as follows:

(Thousands of Euros)

	2015	2014
BY NATURE		
Funds receivable for payment of life insurance commissions	**12,969**	12,628
Funds receivable for payment of non-life insurance commissions	**5,738**	5,316
	18,707	17,944
BY ENTITY		
Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	**12,969**	12,628
Ocidental – Companhia Portuguesa de Seguros, S.A.	**5,738**	5,316
	18,707	17,944

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 2015, the Group sold bonds to the pension fund in the amount of Euros 9,006,000 and purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 249.020.000 (2014: Euros 420,000,000).

As at 31 December 2015 and 2014, the balances with Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

(Thousands of Euros)

	2015	2014
Deposits from customers	**524,652**	650,038
Subordinated debt	**130,009**	129,992
	654,661	780,030

As at 31 December 2015 and 2014, the balances with Pension Fund included in income and expense items of the consolidated income statement, are as follows:

(Thousands of Euros)

	2015	2014
INCOME		
Commissions	**745**	645
EXPENSES		
Interest expense	**2,869**	3,769
Administrative costs	**19,032**	20,132
	21,901	23,901

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 amounts to Euros 13,593,000 (31 December 2014: Euros 13,593,000).

e) Other transactions

Sale of its 49% in the Non-Life Insurance Business during 2014

During 2014, as part of a process aiming to refocus on core activities, defined as a priority in its Strategic Plan, Banco Comercial Português, S.A. announces that it has agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e., "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médis – Companhia Portuguesa de Seguros de Saúde, S.A.", for a base price of Euros 122,500,000, subject to a medium term performance adjustment. The partners (Ageas and the Bank) have also agreed that the joint venture will upstream excess capital totaling Euros 290,000,000 in 2014 to its shareholders. As referred in note 17, this sale generated a gain in the amount of Euros 69,396,000, on a consolidated basis.

52. SEGMENTAL REPORTING

The segments presented are in accordance with IFRS 8. In accordance with the Group's management model, the segments presented correspond to the segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Companies Banking and Private Banking.

Following the commitment agreed with the Directorate-General for Competition of the European Commission (DG Comp), an additional segment named non-Core Business Portfolio was considered, respecting the criteria agreed.

Segments description

The Retail Banking activity includes the Retail activity of the Group in Portugal, operating as a distribution channel for products and services from subsidiaries of the Group, and the Foreign business segment, operating through subsidiaries in markets with affinity to Portugal and in countries with higher growth potential.

The Retail segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target "Mass Market" customers, who appreciate a value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated Account Manager; and (ii) ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services.

The Companies Banking includes: (i) Corporate and Large Corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euros 50 million, providing a complete range of value-added products and services; (ii) the Companies network that covers the financial needs of companies with an annual turnover between Euros 2.5 million and Euros 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing; (iii) Specialised Monitoring Division; (iv) the Investment Banking unit; (v) the activity of the Bank's International Division; (vi) Specialised Recovery Division; (vii) the activity of the Real Estate Business Division; and (viii) Interfundos.

The Private Banking segment, for purposes of the business segments, comprises (i) the Private Banking network in Portugal and also (ii) Banque Privée BCP in Switzerland and (iii) Millennium bcp Bank & Trust in Cayman Islands. For purposes of the geographical segments excludes Banque Privée BCP and Millennium bcp Bank & Trust that are considered Foreign Business.

The Foreign Business segment, for the purpose of business segments, comprises Bank Millennium in Poland, Millennium BIM in Mozambique and Banco Millennium Angola. The Foreign Business segment, in terms of geographical segments, comprises the Group operations outside Portugal referred above, and also

Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide; in Mozambique by a universal bank targeting companies and individual customers; in Angola by a bank focused on private customers and companies as well as public and private institutions; in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets ("Affluent" segment); and in Switzerland the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law.

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 criteria is the capital impact optimisation, in particular through the minimisation of expected loss.

In this context, the Bank proceeded with the segregation of these portfolios, highlighting them in a separate segment defined as Non Core Business Portfolio (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%), 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 2015, 72% of this portfolio benefited from asset backed loans, including 67% with real estate collateral and 5% with other assets guarantee.

All other businesses not previously discriminated are allocated to the segment Others and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Business segments activity

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

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel III methodology, in accordance with the CRD IV/CRR, with reference to December 2014 and December 2015. The capital allocation for each segment on those dates, resulted from the application of 10% to the risks managed by each segment, reflecting the application of Basel III methodologies. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

The following information is based on financial statements prepared according to IFRS and on the organisational model in place for the Group, as at 31 December 2015.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets of recognised growth potential. Considering this, the segmental report is structured in Portugal, Poland, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); while the segment Mozambique contains the activity of BIM – Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other, indicated within the geographical segment reporting, comprises the Group's operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands.

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 were 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 as at 31 December 2014. However, 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.

Additionally, following the sale of the total shareholding in Banca Millennium in Romania in 2014, this subsidiary was classified as discontinued operation, with the impact on results of its operation presented on a separate line item in the profit and loss account, defined as "income arising from discontinued operations", as at December 2014.

As at 31 December 2015, the net contribution of the major operational segments is analysed as follows:

(Thousands of Euros)

	Commercial Banking							
	Retail in Portugal	Foreign Business	Total	Companies, Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other (*)	Consolidated
INCOME STATEMENT								
Interest income	543,377	934,468	1,477,845	435,614	52,429	204,576	145,637	2,316,101
Interest expense	(241,317)	(373,624)	(614,941)	(117,369)	(36,634)	(169,062)	(76,520)	(1,014,526)
NET INTEREST INCOME	302,060	560,844	862,904	318,245	15,795	35,514	69,117	1,301,575
Commissions and other income	334,806	311,688	646,494	175,044	62,000	14,832	16,566	914,936
Commissions and other costs	(15,137)	(126,885)	(142,022)	(6,591)	(5,650)	(38)	(147,495)	(301,796)
NET COMMISSIONS AND OTHER INCOME	319,669	184,803	504,472	168,453	56,350	14,794	(130,929)	613,140
Net gains arising from trading activity	43,036	147,800	190,836	-	4,450	-	400,158	595,444
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	-	3,240	3,240	6	8	-	(33,392)	(30,138)
NET OPERATING INCOME	664,765	896,356	1,561,121	486,704	76,603	50,308	328,813	2,503,549
Staff costs and administrative costs	495,082	403,648	898,730	95,611	40,900	26,786	(22,124)	1,039,903
Depreciations	1,899	36,062	37,961	446	258	23	27,935	66,623
OPERATING COSTS	496,981	439,710	936,691	96,057	41,158	26,809	5,811	1,106,526
Other financial assets impairment	(149,591)	(100,768)	(250,359)	(315,676)	(3,704)	(355,041)	35,081	(889,699)
Other assets impairment	(111)	(8,532)	(8,643)	(130)	(40)	(9,971)	(85,830)	(104,614)
NET (LOSS)/INCOME BEFORE INCOME TAX	18,082	347,346	365,428	74,841	31,701	(341,513)	272,253	402,710
Income tax	(3,679)	(69,515)	(73,194)	(21,806)	(8,844)	100,746	(53,299)	(56,397)
(LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	14,403	277,831	292,234	53,035	22,857	(240,767)	218,954	346,313
(Loss)/income arising from discontinued operations	-	-	-	-	-	-	14,648	14,648
NET (LOSS)/INCOME AFTER INCOME TAX	14,403	277,831	292,234	53,035	22,857	(240,767)	233,602	360,961
Non-controlling interests	-	(119,966)	(119,966)	-	-	-	(5,651)	(125,617)
NET (LOSS)/INCOME	14,403	157,865	172,268	53,035	22,857	(240,767)	227,951	235,344
BALANCE SHEET								
Cash and Loans and advances to credit institutions	7,862,544	2,035,570	9,898,114	1,596,177	2,709,148	3,929	(10,668,990)	3,538,378
Loans and advances to customers	17,276,190	13,119,279	30,395,469	11,196,872	461,197	9,846,147	70,474	51,970,159
Financial assets (**)	20,573	4,515,450	4,536,023	-	8,208	625,649	7,517,991	12,687,871
Other assets	174,817	562,237	737,054	55,371	19,614	517,362	5,359,070	6,688,471
TOTAL ASSETS	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Deposits from other credit institutions	21,143	1,747,567	1,768,710	3,701,871	318,811	10,375,227	(7,573,574)	8,591,045
Deposits from customers	24,096,720	15,819,898	39,916,618	8,249,175	2,672,330	308,925	391,535	51,538,583
Debt securities issued	647,877	266,012	913,889	2,602	79,080	596	3,772,102	4,768,269
Other financial liabilities	-	576,678	576,678	-	8,526	-	2,324,625	2,909,829
Other liabilities	26,061	543,969	570,030	42,414	8,671	4,477	770,990	1,396,582
TOTAL LIABILITIES	24,791,801	18,954,124	43,745,925	11,996,062	3,087,418	10,689,225	(314,322)	69,204,308
Equity and non-controlling interests	542,323	1,278,412	1,820,735	852,358	110,749	303,862	2,592,867	5,680,571
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	25,334,124	20,232,536	45,566,660	12,848,420	3,198,167	10,993,087	2,278,545	74,884,879
Number of employees	4,712	9,641	14,353	560	269	180	1,821	17,183
Public subsidies received	-	-	-	-	-	-	-	-

(*) Includes the activity of Millennium bcp Gestão de Activos, up to date of disposal.

(**) Includes financial assets held for trading, other financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale and hedging derivatives.

Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected in Mozambique Euros 2 millions and Euros 173 millions in Other Portugal, as described in note 31.

As at 31 December 2014, the net contribution of the major operational segments is analysed as follows:

(Thousands of Euros)

	Commercial Banking							
	Retail in Portugal	Foreign Business(*)	Total	Companies, Corporate and Investment Banking in Portugal	Private Banking	Portfolio non core business	Other(**)	Consolidated
INCOME STATEMENT								
Interest income	606,419	947,174	1,553,593	558,112	66,029	287,144	187,760	2,652,638
Interest expense	(376,037)	(393,264)	(769,301)	(212,875)	(55,695)	(252,766)	(245,850)	(1,536,487)
NET INTEREST INCOME	230,382	553,910	784,292	345,237	10,334	34,378	(58,090)	1,116,151
Commissions and other income	331,139	297,982	629,121	176,636	57,128	19,778	26,500	909,163
Commissions and other costs	(14,349)	(76,449)	(90,798)	(5,849)	(5,505)	(1,057)	(153,203)	(256,412)
NET COMMISSIONS AND OTHER INCOME	316,790	221,533	538,323	170,787	51,623	18,721	(126,703)	652,751
Net gains arising from trading activity	5,697	96,930	102,627	-	1,577	-	337,958	442,162
Share of profit of associates under the equity method	-	(59)	(59)	-	-	-	36,019	35,960
Gains / (losses) arising from the sale of subsidiaries and other assets	-	3,351	3,351	-	-	-	42,094	45,445
NET OPERATING INCOME	552,869	875,665	1,428,534	516,024	63,534	53,099	231,278	2,292,469
Staff costs and administrative costs	547,386	404,551	951,937	98,041	37,376	26,844	(30,131)	1,084,067
Depreciations	1,873	32,830	34,703	394	286	29	30,131	65,543
OPERATING COSTS	549,259	437,381	986,640	98,435	37,662	26,873	-	1,149,610
Other financial assets impairment	(125,731)	(86,498)	(212,229)	(454,691)	1,694	(423,659)	(109,450)	(1,198,335)
Other assets impairment	(41)	(1,320)	(1,361)	87	(190)	(1,705)	(114,760)	(117,929)
NET (LOSS)/INCOME BEFORE INCOME TAX	(122,162)	350,466	228,304	(37,015)	27,376	(399,138)	7,068	(173,405)
Income tax	36,654	(71,696)	(35,042)	11,058	(6,260)	117,745	10,174	97,675
(LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	(85,508)	278,770	193,262	(25,957)	21,116	(281,393)	17,242	(75,730)
(Loss)/income arising from discontinued operations	-	(43,482)	(43,482)	-	-	-	2,652	(40,830)
NET (LOSS)/INCOME AFTER INCOME TAX	(85,508)	235,288	149,780	(25,957)	21,116	(281,393)	19,894	(116,560)
Non-controlling interests	-	(101,393)	(101,393)	-	-	-	(8,667)	(110,060)
NET (LOSS)/INCOME	(85,508)	133,895	48,387	(25,957)	21,116	(281,393)	11,227	(226,620)
BALANCE SHEET								
Cash and Loans and advances to credit institutions	6,670,138	1,958,835	8,628,973	1,547,355	2,546,288	4,168	(8,767,537)	3,959,247
Loans and advances to customers	17,651,629	12,676,467	30,328,096	11,636,268	509,272	10,874,498	337,514	53,685,648
Financial assets (***)	497,024	3,478,240	3,975,264	-	10,794	558,273	7,779,640	12,323,971
Other assets	181,076	626,737	807,813	62,215	19,934	239,085	5,263,003	6,392,050
TOTAL ASSETS	24,999,867	18,740,279	43,740,146	13,245,838	3,086,288	11,676,024	4,612,620	76,360,916
Deposits from other credit institutions	15,503	1,780,085	1,795,588	3,926,454	222,688	10,998,000	(5,976,575)	10,966,155
Deposits from customers	22,865,982	14,507,318	37,373,300	8,282,576	2,500,034	269,065	1,391,761	49,816,736
Debt securities issued	1,518,773	432,393	1,951,166	4,931	136,173	3,780	3,613,519	5,709,569
Other financial liabilities	-	472,717	472,717	-	11,559	-	2,846,908	3,331,184
Other liabilities	20,117	404,646	424,763	40,866	5,516	4,503	1,074,717	1,550,365
TOTAL LIABILITIES	24,420,375	17,597,159	42,017,534	12,254,827	2,875,970	11,275,348	2,950,330	71,374,009
Equity and non-controlling interests	579,492	1,143,120	1,722,612	991,011	210,318	400,676	1,662,290	4,986,907
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	24,999,867	18,740,279	43,740,146	13,245,838	3,086,288	11,676,024	4,612,620	76,360,916
Number of employees	4,866	9,764	14,630	571	295	189	1,955	17,640
Public subsidies received	-	-	-	-	-	-	-	-

(*) Includes the activity of Banca Millennium Romania;
(**) Includes the activity of Millennium bcp Gestão de Activos;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives.
Note: As at 31 December 2014, the goodwill disclosed in the financial statements is reflected in Mozambique Euros 3 millions and Euros 211 millions in Other Portugal, as described in note 31.

As at 31 December 2015, the net contribution of the major geographic segments is analysed as follows:

(Thousands of Euros)

	Portugal										
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other (*)	Total	Poland	Angola	Mozambique	Other	Consolidated
INCOME STATEMENT											
Interest income	543,377	435,614	33,429	204,576	145,637	1,362,633	553,172	160,210	221,086	19,000	2,316,101
Interest expense	(241,317)	(117,369)	(23,778)	(169,062)	(76,520)	(628,046)	(239,914)	(50,861)	(82,849)	(12,856)	(1,014,526)
NET INTEREST INCOME	302,060	318,245	9,651	35,514	69,117	734,587	313,258	109,349	138,237	6,144	1,301,575
Commissions and other income	334,806	175,044	32,881	14,832	16,566	574,129	178,583	46,016	87,089	29,119	914,936
Commissions and other costs	(15,137)	(6,591)	(245)	(38)	(147,495)	(169,506)	(87,218)	(12,824)	(26,843)	(5,405)	(301,796)
NET COMMISSIONS AND OTHER INCOME	319,669	168,453	32,636	14,794	(130,929)	404,623	91,365	33,192	60,246	23,714	613,140
Net gains arising from trading activity	43,036	-	-	-	400,158	443,194	51,949	56,035	39,816	4,450	595,444
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	1,868	571	8	(30,138)
NET OPERATING INCOME	664,765	486,704	42,287	50,308	328,813	1,572,877	457,042	200,444	238,870	34,316	2,503,549
Staff costs and administrative costs	495,082	95,611	16,316	26,786	(22,124)	611,671	230,320	78,707	94,621	24,584	1,039,903
Depreciations	1,899	446	6	23	27,935	30,309	12,061	12,545	11,456	252	66,623
OPERATING COSTS	496,981	96,057	16,322	26,809	5,811	641,980	242,381	91,252	106,077	24,836	1,106,526
Other financial assets impairment	(149,591)	(315,676)	(1,248)	(355,041)	35,081	(786,475)	(60,566)	(15,217)	(24,985)	(2,456)	(889,699)
Other assets impairment	(111)	(130)	-	(9,971)	(85,830)	(96,042)	(2,908)	(1,213)	(4,411)	(40)	(104,614)
NET (LOSS) / INCOME BEFORE INCOME TAX	18,082	74,841	24,717	(341,513)	272,253	48,380	151,187	92,762	103,397	6,984	402,710
Income tax	(3,679)	(21,806)	(7,295)	100,746	(53,299)	14,667	(31,203)	(18,223)	(20,090)	(1,548)	(56,397)
(LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	14,403	53,035	17,422	(240,767)	218,954	63,047	119,984	74,539	83,307	5,436	346,313
(Loss)/income arising from discontinued operations	-	-	-	-	14,648	14,648	-	-	-	-	14,648
NET (LOSS)/INCOME AFTER INCOME TAX	14,403	53,035	17,422	(240,767)	233,602	77,695	119,984	74,539	83,307	5,436	360,961
Non-controlling interests	-	-	-	-	(5,651)	(5,651)	(54,222)	(37,196)	(28,548)	-	(125,617)
NET (LOSS) / INCOME	14,403	53,035	17,422	(240,767)	227,951	72,044	65,762	37,343	54,759	5,436	235,344
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	592,483	435,761	1,064,336	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	947,863	1,296,540	246,898	51,970,159
Financial assets(**)	20,573	-	-	625,649	7,517,991	8,164,213	3,443,228	599,121	473,101	8,208	12,687,871
Other assets	174,817	55,371	11,633	517,362	5,359,070	6,118,253	208,530	204,198	149,508	7,982	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	2,343,665	2,354,910	1,327,424	74,884,879
Deposits from other credit institutions	21,143	3,701,871	-	10,375,227	(7,573,574)	6,524,667	1,282,042	276,918	188,607	318,811	8,591,045
Deposits from customers	24,096,720	8,249,175	1,769,299	308,925	391,535	34,815,654	12,384,534	1,691,726	1,743,638	903,031	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	133	-	8,527	2,909,829
Other liabilities	26,061	42,414	686	4,477	770,990	844,628	306,191	100,377	137,401	7,985	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	2,069,154	2,069,646	1,238,354	69,204,308
Equity and non-controlling interests	542,323	852,358	21,679	303,862	2,592,867	4,313,089	718,637	274,511	285,264	89,070	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	2,343,665	2,354,910	1,327,424	74,884,879
Number of employees	4,712	560	186	180	1,821	7,459	5,911	1,225	2,505	83	17,183
Public subsidies received	-	-	-	-	-	-	-	-	-	-	-

(*) Includes the activity of Millennium bcp Gestão de Activos, up to date of disposal.
(**) Includes financial assets held for trading, Other financial assets held for trading at fair value through profit or loss, financial assets held to maturity, financial assets available for sale and hedging derivatives.
Note: As at 31 December 2015, the goodwill disclosed in the financial statements is reflected in Mozambique Euros 2 millions and Euros 173 millions in Other Portugal, as described in note 31.
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As at 31 December 2014, the net contribution of the major geographic segments is analysed as follows:

(Thousands of Euros)

	Portugal										
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other(*)	Total	Poland	Angola	Mozambique	Other(**)	Consolidated
INCOME STATEMENT											
Interest income	606,419	558,112	40,509	287,144	187,760	1,679,944	616,091	124,459	206,624	25,520	2,652,638
Interest expense	(376,037)	(212,875)	(38,947)	(252,766)	(245,850)	(1,126,475)	(283,689)	(39,438)	(70,137)	(16,748)	(1,536,487)
NET INTEREST INCOME	230,382	345,237	1,562	34,378	(58,090)	553,469	332,402	85,021	136,487	8,772	1,116,151
Commissions and other income	331,139	176,636	27,665	19,778	26,500	581,718	171,288	42,697	83,997	29,463	909,163
Commissions and other costs	(14,349)	(5,849)	(188)	(1,057)	(153,203)	(174,646)	(41,698)	(9,305)	(25,446)	(5,317)	(256,412)
NET COMMISSIONS AND OTHER INCOME	316,790	170,787	27,477	18,721	(126,703)	407,072	129,590	33,392	58,551	24,146	652,751
Net gains arising from trading activity	5,697	-	-	-	337,958	343,655	48,005	25,812	23,113	1,577	442,162
Share of profit of associates under the equity method	-	-	-	-	36,019	36,019	(59)	-	-	-	35,960
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	-	42,094	42,094	2,391	251	709	-	45,445
NET OPERATING INCOME	552,869	516,024	29,039	53,099	231,278	1,382,309	512,329	144,476	218,860	34,495	2,292,469
Staff costs and administrative costs	547,386	98,041	15,621	26,844	(30,131)	657,761	250,251	66,217	88,083	21,755	1,084,067
Depreciations	1,873	394	5	29	30,131	32,432	13,195	8,824	10,811	281	65,543
OPERATING COSTS	549,259	98,435	15,626	26,873	-	690,193	263,446	75,041	98,894	22,036	1,149,610
Other financial assets impairment	(125,731)	(454,691)	1,412	(423,659)	(109,450)	(1,112,119)	(64,664)	(9,794)	(12,041)	283	(1,198,335)
Other assets impairment	(41)	87	-	(1,705)	(114,760)	(116,419)	1,349	(578)	(2,091)	(190)	(117,929)
NET (LOSS) / INCOME BEFORE INCOME TAX	(122,162)	(37,015)	14,825	(399,138)	7,068	(536,422)	185,568	59,063	105,834	12,552	(173,405)
Income tax	36,654	11,058	(4,372)	117,745	10,174	171,259	(41,992)	(9,973)	(19,731)	(1,888)	97,675
(LOSS) / INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	(85,508)	(25,957)	10,453	(281,393)	17,242	(365,163)	143,576	49,090	86,103	10,664	(75,730)
(Loss) / income arising from discontinued operations	-	-	-	-	2,652	2,652	-	-	-	(43,482)	(40,830)
NET (LOSS) / INCOME AFTER INCOME TAX	(85,508)	(25,957)	10,453	(281,393)	19,894	(362,511)	143,576	49,090	86,103	(32,818)	(116,560)
Non-controlling interests	-	-	-	-	(8,667)	(8,667)	(49,520)	(23,201)	(28,672)	-	(110,060)
NET (LOSS) / INCOME	(85,508)	(25,957)	10,453	(281,393)	11,227	(371,178)	94,056	25,889	57,431	(32,818)	(226,620)
BALANCE SHEET											
Cash and Loans and advances to credit institutions	6,670,138	1,547,355	1,498,100	4,168	(8,767,537)	952,224	1,182,974	389,860	386,002	1,048,187	3,959,247
Loans and advances to customers	17,651,629	11,636,268	249,558	10,874,498	337,514	40,749,467	10,316,533	956,557	1,403,377	259,714	53,685,648
Financial assets (***)	497,024	-	50	558,273	7,779,640	8,834,987	2,500,659	390,033	587,547	10,745	12,323,971
Other assets	181,076	62,215	11,951	239,085	5,263,003	5,757,330	214,119	213,776	198,842	7,983	6,392,050
TOTAL ASSETS	24,999,867	13,245,838	1,759,659	11,676,024	4,612,620	56,294,008	14,214,285	1,950,226	2,575,768	1,326,629	76,360,916
Deposits from other credit institutions	15,503	3,926,454	412	10,998,000	(5,976,575)	8,963,794	1,304,133	275,535	200,415	222,278	10,966,155
Deposits from customers	22,865,982	8,282,576	1,598,767	269,065	1,391,761	34,408,151	11,148,945	1,452,178	1,906,195	901,267	49,816,736
Debt securities issued	1,518,773	4,931	136,173	3,780	3,613,519	5,277,176	407,063	-	25,330	-	5,709,569
Other financial liabilities	-	-	-	-	2,846,908	2,846,908	472,717	-	-	11,559	3,331,184
Other liabilities	20,117	40,866	587	4,503	1,074,717	1,140,790	207,691	50,086	146,870	4,928	1,550,365
TOTAL LIABILITIES	24,420,375	12,254,827	1,735,939	11,275,348	2,950,330	52,636,819	13,540,549	1,777,799	2,278,810	1,140,032	71,374,009
Equity and non-controlling interests	579,492	991,011	23,720	400,676	1,662,290	3,657,189	673,736	172,427	296,958	186,597	4,986,907
TOTAL LIABILITIES, EQUITY AND NON-CONTROLLING INTERESTS	24,999,867	13,245,838	1,759,659	11,676,024	4,612,620	56,294,008	14,214,285	1,950,226	2,575,768	1,326,629	76,360,916
Number of employees	4,866	571	214	189	1,955	7,795	6,108	1,143	2,513	81	17,640
Public subsidies received	-	-	-	-	-	-	-	-	-	-	-

(*) Includes the activity of Millennium bcp Gestão de Activos;
(**) Includes the activity of Banca Millennium Romania;
(***) Includes financial assets held for trading, financial assets held to maturity, financial assets available for sale and hedging derivatives.
Note: As at 31 December 2014, the goodwill disclosed in the financial statements is reflected in Mozambique Euros 3 millions and Euros 211 millions in Other Portugal, as described in note 31.

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

(Thousands of Euros)

	2015	2014
NET CONTRIBUTION:		
Retail Banking in Portugal	**14,403**	(85,508)
Companies, Corporate and Investment Banking	**53,035**	(25,957)
Private Banking	**17,422**	10,453
Portfolio non core business	**(240,767)**	(281,393)
Foreign Business (continuing operations)	**283,266**	289,433
Non-controlling interests(1)	**(125,617)**	(110,060)
	1,742	(203,032)
Income / (Loss) from discontinued operations	**14,648**	(40,830)
	16,390	(243,862)
AMOUNTS NOT ALLOCATED TO SEGMENTS:		
Interests of hybrid instruments	**(65,352)**	(180,027)
Net interest income of the bond portfolio	**61,415**	121,115
Interests written off	**(4,613)**	(48,137)
Cost of debt issue with State Guarantee	**-**	(22,689)
Own Credit Risk	**(16,129)**	7,334
Impact of exchange rate hedging of investments	**(10,686)**	(8,914)
Equity accounted earnings	**23,859**	36,018
Impairment and other provisions(2)	**(50,749)**	(224,210)
Operational costs	**(5,812)**	-
Gains on sale of the non life insurance business	**-**	69,390
Gains on sale of public debt(3)	**351,743**	319,164
Contribution for the single resolution fund	**(31,364)**	-
Others(4)	**(33,358)**	(51,802)
TOTAL NOT ALLOCATED TO SEGMENTS	**218,954**	17,242
CONSOLIDATED NET INCOME / (LOSS)	**235,344**	(226,620)

(1) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola.
(2) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to business segments.
(3) Do not include values allocated to business segments.
(4) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

53. RISK MANAGEMENT

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding risk/return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

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

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal Organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk Management and Control model

For the purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

- Trading and Sales: involves those positions for which the goal is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities and the derivatives of the sales activities;
- Financing: Financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
- Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with other purposes than short-term gains; it also includes any other risk hedging operations associated to those positions;
- Commercial: includes all operations (assets and liabilities) held at the normal course of business of the Group with its customers;
- ALM: it represents the Assets and Liabilities management function, including operations decided by CALCO in the Group's global risk management function and centralizes the transfer of risk between the remaining areas;
- Structural: deals with balance sheet elements or operations that, due to their nature, are not directly related to any of the other areas, including structural financing operations of the Group, capital and balance sheet fixed items;

The definition of these management areas allows for an effective separation of the trading and banking portfolios management, as well as a for a proper allocation of each operation to the most appropriate management area, according to its context.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure), as at 31 December 2015 and 2014 is presented in the following table:

(Thousands of Euros)

Risk items	2015	2014
Central Governments or Central Banks	**9,500,002**	8,707,559
Regional Governments or Local Authorities	**689,819**	719,651
Administrative and non-profit Organisations	**800,075**	412,878
Multilateral Development Banks	**47,987**	80,971
Other Credit Institutions	**3,195,899**	3,633,376
Retail and Corporate customers	**63,767,726**	66,470,324
Other items	**13,485,328**	11,820,200
	91,486,836	91,844,959

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 2015 of the credit granted to entities whose country is one of those identified.

(Thousands of Euros)

		2015					
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
	2016	37,758	14	437	21	42	117,697
Financial Institutions	2017	-	-	-	-	-	58,757
	>2017	47,800	-	-	-	6,000	462,957
		85,558	14	437	21	6,042	639,411
	2016	29,697	-	-	4,669	-	4,266,932
Companies	2017	60,000	-	-	-	-	370,249
	>2017	179,282	35,255	-	143,209	-	6,978,415
		268,979	35,255	-	147,878	-	11,615,596
	2016	71,548	5	3	214	154	2,375,852
Retail	2017	2,953	17	3	23	67	387,591
	>2017	28,922	420	112	49,690	6,392	20,242,503
		103,423	442	118	49,927	6,613	23,005,946
	2016	29	-	-	-	-	1,581,786
State and other public entities	2017	34,500	-	-	-	-	185,246
	>2017	468	-	-	319	50,413	2,692,377
		34,997	-	-	319	50,413	4,459,409
TOTAL COUNTRY		492,957	35,711	555	198,145	63,068	39,720,362

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The Bank of Portugal applied for a group of templates to evaluate the risk associated to the loans portfolio and the calculation of the corresponding losses. Methodological notes regarding the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:
- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, the substitution principle is applied by replacing the Risk Grade of the client by the Risk Grade of the guarantor, if the Risk of Grade Degree of the guarantor is better than the client's, when:
- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, an adhering contracting party);
- the mitigation is effective through credit derivatives.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' or credit areas.

There is always a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparing – mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Notice nr.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 nr. 5/2006 and nr.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 follwing 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 nr.5/2007 of Bank of Portugal, in the case of offices, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out, by an expert valuer.

For the remaining real estate (land, commercial real estate country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring or reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used – the Rating Master Scale – based on Probability of Default (PD), allowing for a greater discriminating power in clients assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation, in accordance with the IRB approach. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality of the clients and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default and/or impairment, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Audit and Models Validation Unit, which is integrated in the Internal Audit Division, hence, independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Audit and Models Validation Unit, as well the respective recommendations and proposal for changes and/or improvements, are analyzed and ratified by a specific Validation Committee, composed in accordance to the type of model analyzed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

c) Impairment and Write-offs

In order to align with the international best practices in this area, the credit impairment calculation within BCP Group integrates the general principles defined by IAS 39 and the guidelines issued by the Bank of Portugal through "Carta-Circular 2/2014 / DSP".

In order to maximize synergies, this process is based, as far as possible, on the concepts and the data used in capital requirements calculation according to the Internal Ratings Based Approach (IRB).

There are three components to be considered in impairment calculation, according to the risk and complexity of the customers, the size of its exposure and whether there is objective evidence of impairment:
- Individual analysis for customers with high exposure and risk;
- Collective analysis for customers in default or considered at high risk, not included in individual analysis;
- Collective analysis of customers not in default, non-high risk or without enough evidence of impairment to justify, as a result of individual analysis, their treatment as customers in default (IBNR – Incurred But Not Reported component).

Customers in one of the following conditions are submitted to individual analysis:

<u>Customers in default</u>

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;

<u>Customers not in default but with impairment signs</u>

iii) Customers rated "14" integrated in groups with exposure above Euros 5 million;

<u>Groups or Customers without impairment signs</u>

iv) Other customers integrating groups under the above conditions;

v) Groups or customers with exposure above Euros 5 million having restructured credits and rated "13";

vi) Groups or Customers with exposure above Euros 10 million, provided that in a group entity some pre-defined impairment soft signs exist;

vii) Groups or Customers not included in the preceding paragraphs, with exposure above Euros 25 million.

Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or

ii) According to recent information, show a significant deterioration in risk levels; or

iii) Are Special Vehicle Investment (SPV);.

Individual analysis includes the following procedures:
- for customers without impairment signs, analysis of a set of financial difficulties indicators, in order to conclude if the customer has objective impairment signs;
- for customers with impairment signs and for those in which objective evidence of impairment is identified in the above mentioned preliminary analysis, loss estimation.

Customers included in the individual analysis are submitted to a process that takes place periodically, in order to get estimations of recovery expectations – amount and time. For each customer, those estimates must be supported mainly in the prospects of receiving monetary, financial or physical assets and in the forecasted period for those receipts.

This process is carried out by recovery areas or by the Credit Division, supported by all the relevant elements for the calculation of impairment, including the following ones:
- economic and financial data, based on the most recent financial statements of the customer;
- qualitative data, characterizing the customer's situation, particularly with regard to the economic viability of the business;
- estimated cash flows;
- customers behaviour in their relationship with the Bank and with the Financial System.

In addition, information on collaterals and guarantees plays an important role, mainly for real estate companies and whenever the viability of the customer's business is weak.

The Bank takes a conservative approach concerning collaterals, working with haircuts that incorporate the risk of assets devaluation, the sale and maintenance costs and the required time for sale.

For each client, the impairment is calculated as the difference between the exposure and the sum of the expected cash-flows of all the businesses, discounted at the effective interest rate of each operation.

Credits to customers that are not individually analyzed are grouped according to their risk characteristics, and impairment is based on homogenous populations, assuming a one-year emergence period (or loss identification period).
Collective impairment is calculated according to the following formula:

Impairment = EAD * PD * LGD

where EAD represents the exposure at default, adjusted from financial collaterals, PD represents the probability of one client without impairment sings to be defaulted on the recognized loss period, and LGD represents the loss given default.

For the calculation of PD, the homogeneous populations result from the following factors:
- Customer segment for rating purposes (according to the corresponding rating model);
- Risk bucket, depending on customer current status (different probabilities of default correspond to the several buckets).

For the calculation of LGD, the homogeneous populations result from the following factors:
- Customer segment;
- Defaulted period; and
- LTV (Loan to Value) for exposures collateralized by real estate.

LGD estimation is mainly based on the following components:
- a priori definition of the possible recovery scenarios;
- historical information about the Bank's recovery processes, mainly regarding incurred losses and the probabilities associated to each of the recovery scenarios;
- direct and indirect costs associated to the recovery processes;
- discounted rate to be used in the discount od 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.

Impairment losses are charged against results and, subsequently, if a reduction of the estimated impairment loss occurs, the charge is reversed in a subsequent period. In accordance with "Carta-Circular 15/2009" from the Bank of Portugal, write-offs take place whenever the recovery expectancy is about zero; hence, when impairment reaches 100%, credits shall be considered as uncollectible.

It is noteworthy that all of the described procedures and methodologies are subject to internal regulations approved by the Board of Directors, concerning impairment, credit granting and monitoring and non-performing credit treatment.

The following tables detail the exposure and impairment by segment, as at 31 December 2015. The data presented includes the irrevocable credit lines and does not consider effective interest rates.

(Thousands of Euros)

	Exposure					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which of the default situation	Of which restructured	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

(Thousands of Euros)

	Impairment		
Segment	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

The following tables detail the exposure and impairment by segments, as at 31 December 2014. The data presented includes the credit lines irrevocable and excludes the amounts related to the effective interest rate effect.

(Thousands of Euros)

	Exposure					
		Performing loans			Non-performing loans	
Segment	Total Exposure	Total	Of which of the default situation	Of which restructured	Total	Of which restructured
Construction and CRE	9,067,462	6,502,030	270,329	773,312	2,565,432	769,084
Companies – Other Activities	23,882,233	21,526,268	514,053	2,210,825	2,355,965	952,531
Mortgage loans	24,886,268	23,433,740	434,975	700,736	1,452,528	320,466
Individuals – Others	4,905,111	3,998,115	65,934	288,107	906,996	299,413
Other loans	2,083,284	2,057,024	6,572	32,670	26,260	5,626
TOTAL	64,824,358	57,517,177	1,291,863	4,005,650	7,307,181	2,347,120

(Thousands of Euros)

	Impairment		
Segment	Total Impairment	Performing loans	Non-performing loans
Construction and CRE	1,136,465	244,543	891,922
Companies – Other Activities	1,760,981	858,033	902,948
Mortgage loans	306,987	64,279	242,708
Individuals – Others	487,516	62,613	424,903
Other loans	40,914	32,388	8,526
TOTAL	3,732,863	1,261,856	2,471,007

The following tables include the detail of the exposure non-performing loans and impairment respectively by segment, as at 31 December 2015:

(Thousands of Euros)

	Exposure					
		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	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

(Thousands of Euros)

Segment	Impairment: Total Impairment	Performing loans: Days past due <30	Performing loans: Days past due between 30-90	Non-performing loans: Days past due <=90	Non-performing loans: Days past due >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

The following tables include the detail of the exposure non-performing loans and impairment respectively by segment, as at 31 December 2014:

(Thousands of Euros)

Segment	Exposure: Total Exposure	Performing loans: Days past due <30: Without evidence	Performing loans: Days past due <30: With evidence	Performing loans: Days past due <30: Total	Non-performing loans: Days past due: <=90	Non-performing loans: Days past due: >90
Construction and CRE	9,067,462	4,620,396	1,773,566	6,393,962	315,247	2,250,185
Companies – Other Activities	23,882,233	16,966,653	4,453,398	21,420,051	358,221	1,997,744
Mortgage loans	24,886,268	22,236,954	977,899	23,214,853	67,751	1,384,777
Individuals – Others	4,905,111	3,505,717	434,255	3,939,972	73,285	833,711
Other loans	2,083,284	2,036,792	13,559	2,050,351	-	26,260
TOTAL	64,824,358	49,366,512	7,652,677	57,019,189	814,504	6,492,677

(Thousands of Euros)

Segment	Impairment: Total Impairment	Performing loans: Days past due <30	Performing loans: Days past due between 30-90	Non-performing loans: Days past due <=90	Non-performing loans: Days past due >90
Construction and CRE	1,136,465	225,909	18,634	52,863	839,059
Companies – Other Activities	1,760,981	845,749	12,284	132,686	770,262
Mortgage loans	306,987	51,719	12,560	11,538	231,170
Individuals – Others	487,516	51,610	11,003	34,203	390,700
Other loans	40,914	30,850	1,538	-	8,526
TOTAL	3,732,863	1,205,837	56,019	231,290	2,239,717

As at 31 December 2015, the following table includes the loans portfolio by segment and by year of production:

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 2014, the following table includes the loans portfolio by segment and by year of production::

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	13,351	27,626	135,600	433,250	314	610,141
Value (Euros '000)	1,052,151	3,194,521	4,566,711	493,907	39,350	9,346,640
Impairment constituted (Euros '000)	140,103	185,753	87,216	35,964	1,146	450,182
2005						
Number of operations	2,421	4,497	49,215	64,249	22	120,404
Value (Euros '000)	368,257	621,592	2,363,673	111,854	9,596	3,474,972
Impairment constituted (Euros '000)	70,864	110,465	39,235	14,991	405	235,960
2006						
Number of operations	2,927	5,248	69,899	81,125	54	159,253
Value (Euros '000)	442,016	911,447	3,696,647	179,423	9,822	5,239,355
Impairment constituted (Euros '000)	72,219	56,118	46,971	33,746	2,276	211,330
2007						
Number of operations	3,939	7,234	82,692	108,235	58	202,158
Value (Euros '000)	871,068	1,353,174	4,782,412	238,057	17,182	7,261,893
Impairment constituted (Euros '000)	137,678	98,612	57,547	30,519	285	324,641
2008						
Number of operations	5,283	8,928	59,444	133,029	108	206,792
Value (Euros '000)	1,058,904	1,563,834	3,630,506	232,736	40,086	6,526,066
Impairment constituted (Euros '000)	136,950	210,152	34,780	35,513	1,239	418,634
2009						
Number of operations	5,312	8,349	24,945	132,832	153	171,591
Value (Euros '000)	806,190	1,232,266	1,394,792	239,969	60,994	3,734,211
Impairment constituted (Euros '000)	165,878	93,701	10,804	42,455	1,807	314,645
2010						
Number of operations	5,462	12,213	26,860	191,455	207	236,197
Value (Euros '000)	821,866	1,778,835	1,487,215	309,592	126,713	4,524,221
Impairment constituted (Euros '000)	89,415	335,829	8,951	42,423	5,656	482,274
2011						
Number of operations	5,518	19,256	17,389	197,039	215	239,417
Value (Euros '000)	524,788	1,349,795	888,826	312,360	64,076	3,139,845
Impairment constituted (Euros '000)	100,597	135,145	4,524	47,803	2,723	290,792
2012						
Number of operations	5,618	20,558	14,373	196,289	664	237,502
Value (Euros '000)	631,582	2,378,429	678,124	435,381	152,293	4,275,809
Impairment constituted (Euros '000)	55,505	142,127	4,616	74,656	4,664	281,568
2013						
Number of operations	6,547	24,818	15,103	281,230	614	328,312
Value (Euros '000)	982,394	2,927,234	779,643	878,096	483,732	6,051,099
Impairment constituted (Euros '000)	90,598	111,440	6,359	61,379	6,363	276,139
2014						
Number of operations	11,265	55,872	10,526	414,538	2,606	494,807
Value (Euros '000)	1,508,246	6,571,106	617,719	1,473,736	1,079,440	11,250,247
Impairment constituted (Euros '000)	76,658	281,639	5,984	68,067	14,350	446,698
TOTAL						
NUMBER OF OPERATIONS	67,643	194,599	506,046	2,233,271	5,015	3,006,574
VALUE (EUROS '000)	9,067,462	23,882,233	24,886,268	4,905,111	2,083,284	64,824,358
IMPAIRMENT CONSTITUTED (EUROS '000)	1,136,465	1,760,981	306,987	487,516	40,914	3,732,863

As at 31 December 2015, the following tables include the details of the loans portfolio and individual and the collective impairment by segment, sector and geography:

(Thousands of Euros)

	Exposure			Impairment		
Segment	Individual	Collective	Total	Individual	Collective	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

(Thousands of Euros)

	Exposure			Impairment		
Sector	Individual	Collective	Total	Individual	Collective	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

(Thousands of Euros)

	Exposure			Impairment		
Geography	Individual	Collective	Total	Individual	Collective	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

As at 31 December 2014, the following tables include the details of the loans portfolio and individual and the collective impairment by segment, sector and geography:

(Thousands of Euros)

	Exposure			Impairment		
Segment	Individual	Collective	Total	Individual	Collective	Total
Construction and CRE	5,397,102	3,670,360	9,067,462	934,613	201,852	1,136,465
Companies – Other Activities	11,155,776	12,726,457	23,882,233	1,409,779	351,202	1,760,981
Mortgage loans	47,665	24,838,603	24,886,268	14,999	291,988	306,987
Individuals – Others	299,428	4,605,683	4,905,111	74,297	413,219	487,516
Other loans	662,863	1,420,421	2,083,284	22,270	18,644	40,914
TOTAL	17,562,834	47,261,524	64,824,358	2,455,958	1,276,905	3,732,863

(Thousands of Euros)

	Exposure			Impairment		
Sector	Individual	Collective	Total	Individual	Collective	Total
Loans to Individuals	312,414	27,695,814	28,008,228	70,969	654,272	725,241
Manufacturing	1,066,805	3,438,113	4,504,918	117,861	110,698	228,559
Construction	2,321,104	2,163,368	4,484,472	424,000	119,429	543,429
Commerce	931,264	4,070,004	5,001,268	177,542	167,555	345,097
Real Estate Promotion	1,309,547	447,861	1,757,408	193,090	17,813	210,903
Other Services	9,564,757	6,346,929	15,911,686	1,327,507	162,807	1,490,314
Other Activities	2,056,943	3,099,435	5,156,378	144,989	44,331	189,320
TOTAL	17,562,834	47,261,524	64,824,358	2,455,958	1,276,905	3,732,863

(Thousands of Euros)

	Exposure			Impairment		
Geography	Individual	Collective	Total	Individual	Collective	Total
Portugal	16,640,805	31,952,743	48,593,548	2,262,551	1,001,675	3,264,226
Angola	188,655	1,039,686	1,228,341	29,798	19,779	49,577
Mozambique	299,715	1,967,080	2,266,795	27,807	63,898	91,705
Poland	220,751	12,263,197	12,483,948	134,970	190,194	325,164
Switzerland	212,908	-	212,908	832	-	832
Other geographies	-	38,818	38,818	-	1,359	1,359
TOTAL	17,562,834	47,261,524	64,824,358	2,455,958	1,276,905	3,732,863

The following chart includes the entrances and the exits of the restructured loans portfolio:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**6,294,286**	5,827,753
Restructured loans in the year	**436,797**	2,232,866
Accrued interests of the restructured portfolio	**13,714**	31,120
Settlement restructured credits (partial or total)	**(669,484)**	(1,002,373)
Reclassified loans from restructured to normal	**(334,469)**	(407,569)
Others	**(300,160)**	(387,511)
BALANCE AT THE END OF THE YEAR	**5,440,684**	6,294,286

As at 31 December 2015, the following table includes the fair value of the collaterals associated to the loans portfolio by segments Construction and CRE, Companies – Other Activities and Mortgage loans:

	Construction and Commercial Real Estate		Companies – Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral	Real Estate	Other Collateral	Real Estate	Other Collateral
< 0.5 M€						
Number	12,056	6,495	12,089	44,802	415,798	475
Value (Euros '000)	1,394,317	153,284	1,701,192	546,688	46,374,024	24,919
>= 0.5 M€ AND < 1 M€						
Number	667	87	1,304	290	2,170	6
Value (Euros '000)	454,885	53,665	906,023	150,550	1,397,548	4,400
>= 1 M€ AND < 5 M€						
Number	565	61	1,127	234	278	1
Value (Euros '000)	1,158,314	123,633	2,234,597	381,216	399,695	1,916
>= 5 M€ AND < 10 M€						
Number	60	15	112	27	4	2
Value (Euros '000)	412,657	101,666	764,916	173,204	28,090	11,211
>= 10 M€ AND < 20 M€						
Number	48	6	69	9	2	-
Value (Euros '000)	669,655	67,384	944,784	126,314	27,751	-
>= 20 M€ AND < 50 M€						
Number	24	5	31	11	-	-
Value (Euros '000)	801,044	143,204	1,011,505	334,676	-	-
>= 50 M€						
Number	8	10	11	4	3	-
Value (Euros '000)	532,218	1,388,612	1,003,032	430,381	1,707,907	-
TOTAL						
NUMBER	13,428	6,679	14,743	45,377	418,255	484
VALUE (EUROS '000)	5,423,090	2,031,448	8,566,049	2,143,029	49,935,015	42,446

As at 31 December 2014, the following table includes the fair value of the collaterals associated to the loans portfolio by segments Construction and CRE, Companies – Other Activities and Mortgage loans:

	Construction and Commercial Real Estate		Companies – Other Activities		Mortgage loans	
Fair Value	Real Estate	Other Collateral	Real Estate	Other Collateral	Real Estate	Other Collateral
< 0.5 M€						
Number	13,300	6,003	11,627	41,081	426,776	460
Value (Euros '000)	1,619,319	128,206	1,710,672	530,215	47,368,729	20,933
>= 0.5 M€ AND < 1 M€						
Number	808	74	1,397	268	2,281	6
Value (Euros '000)	552,489	44,895	957,808	157,678	1,469,751	4,027
>= 1 M€ AND < 5 M€						
Number	634	52	1,172	254	286	1
Value (Euros '000)	1,278,523	103,387	2,350,317	429,046	415,458	1,298
>= 5 M€ AND < 10 M€						
Number	77	11	133	24	3	-
Value (Euros '000)	557,363	87,970	937,793	173,149	18,700	-
>= 10 M€ AND < 20 M€						
Number	54	1	64	8	2	-
Value (Euros '000)	750,117	36,626	907,335	118,836	24,710	-
>= 20 M€ AND < 50 M€						
Number	30	-	39	12	-	-
Value (Euros '000)	1,021,646	-	1,114,682	314,740	-	-
>= 50 M€						
Number	12	6	11	6	-	-
Value (Euros '000)	873,759	1,118,151	909,187	548,148	-	-
TOTAL						
NUMBER	14,915	6,147	14,443	41,653	429,348	467
VALUE (EUROS '000)	6,653,216	1,519,235	8,887,794	2,271,812	49,297,348	26,258

As at 31 December 2015, the following table includes the LTV ratio by segments Construction and CRE, Companies – Other Activities and Mortgage loans:

(Thousands of Euros)

Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
CONSTRUCTION AND COMMERCIAL REAL ESTATE				
Without associated collateral	n.a.	2,314,023	557,414	331,837
<60%	5,717	453,599	54,388	24,024
>=60% and <80%	1,342	249,570	39,988	10,014
>=80% and <100%	916	179,502	62,068	18,762
>=100%	55,935	2,017,784	1,269,573	553,321
COMPANIES – OTHER ACTIVITIES				
Without associated collateral	n,a,	13,720,242	927,234	791,513
<60%	28,565	1,583,484	85,946	64,946
>=60% and <80%	11,097	759,614	45,272	14,638
>=80% and <100%	8,153	769,771	31,884	23,879
>=100%	21,986	2,956,534	1,161,964	766,348
MORTGAGE LOANS				
Without associated collateral	n,a,	73,729	8,353	5,864
<60%	236,427	7,936,249	140,152	19,231
>=60% and <80%	126,533	7,159,413	191,078	16,967
>=80% and <100%	88,138	4,981,900	362,166	39,580
>=100%	61,705	2,806,731	807,200	257,976

As at 31 December 2014, the following table includes the LTV ratio by segments Construction and CRE, Companies – Other Activities and Mortgage loans:

(Thousands of Euros)

Segment/Ratio	Number of properties	Performing loans	Non-performing loans	Impairment
CONSTRUCTION AND COMMERCIAL REAL ESTATE				
Without associated collateral	n.a.	2,617,030	589,789	364,543
<60%	5,950	597,065	162,056	43,925
>=60% and <80%	1,527	207,212	99,262	14,194
>=80% and <100%	966	185,280	93,176	28,746
>=100%	55,807	2,183,327	1,611,343	673,023
COMPANIES – OTHER ACTIVITIES				
Without associated collateral	n,a,	14,209,246	1,025,120	1,055,697
<60%	27,927	1,752,899	220,116	93,131
>=60% and <80%	9,524	786,823	96,830	35,574
>=80% and <100%	7,028	743,804	108,272	46,459
>=100%	18,769	2,851,980	974,082	538,427
MORTAGE LOANS				
Without associated collateral	n,a,	52,721	12,329	6,253
<60%	236,863	7,912,542	140,989	34,047
>=60% and <80%	124,697	7,100,569	200,243	38,668
>=80% and <100%	96,011	5,428,135	421,809	79,488
>=100%	63,014	2,920,999	674,269	147,038

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)

Asset	Number of properties	Fair value of the asset	Book value
LAND			
Urban	1,786	593,281	561,480
Rural	258	62,447	54,967
BUILDINGS IN DEVELOPMENT			
Commercials	2	47,274	47,274
Others	2	993	993
CONSTRUCTED BUILDINGS			
Commercials	1,699	266,157	232,450
Mortgage loans	5,027	579,474	499,347
Others	428	214,009	180,550
OTHERS	146	6,584	6,584
TOTAL	9,348	1,770,219	1,583,645

(Thousands of Euros)

	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	168,101	62,322	83,156	247,901	561,480
Rural	31,800	8,023	4,356	10,788	54,967
BUILDINGS IN DEVELOPMENT					
Commercials	-	-	-	47,274	47,274
Others	909	-	-	84	993
CONSTRUCTED BUILDINGS					
Commercials	41,605	80,013	70,165	40,667	232,450
Mortgage loans	192,586	140,930	79,595	86,236	499,347
Others	38,898	46,964	47,818	46,870	180,550
OUTROS	2,908	-	-	3,676	6,584
TOTAL	476,807	338,252	285,090	483,496	1,583,645

As at 31 December 2014, 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)

Asset	Number of properties	Fair value of the asset	Book value
LAND			
Urban	1,231	408,171	374,309
Rural	237	26,724	20,730
BUILDINGS IN DEVELOPMENT			
Commercials	3	53,604	53,604
Mortgage loans	2	16,813	16,813
Others	2	106	106
CONSTRUCTED BUILDINGS			
Commercials	1,606	251,165	221,087
Mortgage loans	4,671	571,491	495,639
Others	435	218,167	185,753
OTHERS	12	6,048	6,048
TOTAL	8,199	1,552,289	1,374,089

(Thousands of Euros)

Asset	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	49,872	51,937	56,325	216,175	374,309
Rural	2,936	3,640	3,324	10,830	20,730
BUILDINGS IN DEVELOPMENT					
Commercials	-	-	-	53,604	53,604
Mortgage loans	-	-	5,367	11,446	16,813
Others	-	-	-	106	106
CONSTRUCTED BUILDINGS					
Commercials	78,103	70,127	36,997	35,860	221,087
Mortgage loans	181,585	148,331	63,233	102,490	495,639
Others	47,252	61,439	44,744	32,318	185,753
OTHERS	5	-	247	5,796	6,048
TOTAL	359,753	335,474	210,237	468,625	1,374,089

As at 31 December 2015, the following table includes the distribution of the loans portfolio by degrees of risk:

(Thousands of Euros)

Degrees of risk	Segments Construction and CRE	Companies Other Activities	Mortgage Loans	Individuals Others	Other Loans	Total
HIGHER QUALITY						
2	2,871	16,966	3,796,497	305,545	20	4,121,899
3	3,041	81,159	2,616,440	101,680	3	2,802,323
4	46,606	791,398	5,172,137	234,454	660,609	6,905,204
5	118,767	1,895,814	3,120,401	625,254	6,024	5,766,260
6	409,550	2,238,598	2,018,454	471,872	36	5,138,510
AVERAGE QUALITY						
7	226,511	1,796,178	1,547,503	475,442	16,258	4,061,892
8	296,472	2,139,309	987,988	368,608	-	3,792,377
9	893,478	2,105,388	820,300	272,764	81	4,092,011
LOWER QUALITY						
10	286,894	1,452,108	754,657	220,436	8	2,714,103
11	296,623	748,409	420,225	109,546	-	1,574,803
12	900,408	2,156,475	712,358	180,520	33	3,949,794
PROCEDURAL						
13	18,062	45,972	168,981	50,610	7,964	291,589
14	128,796	290,080	164,793	47,858	-	631,527
15	3,117,792	4,348,452	2,028,829	906,225	789	10,402,087
NOT CLASSIFIED (WITHOUT DEGREE OF RISK)	337,387	1,932,553	118,704	199,975	4,505	2,593,124
TOTAL	7,083,258	22,038,859	24,448,267	4,570,789	696,330	58,837,503

As at 31 December 2014, the following table includes the distribution of the loans portfolio by degrees of risk:

(Thousands of Euros)

	Segments					
Degrees of risk	Construction and CRE	Companies Other Activities	Mortgage Loans	Individuals Others	Other Loans	Total
HIGHER QUALITY						
2	1,442	7,722	3,865,505	140,608	15	4,015,292
3	2,547	70,729	2,275,775	137,724	5	2,486,780
4	36,006	1,105,273	5,182,012	236,463	556,664	7,116,418
5	156,322	1,990,775	3,042,335	591,410	4,518	5,785,360
6	376,377	1,935,846	1,988,053	457,859	1	4,758,136
AVERAGE QUALITY						
7	293,683	1,696,188	1,554,685	458,638	256	4,003,450
8	300,415	1,632,554	1,015,070	360,528	6	3,308,573
9	691,119	2,305,305	847,678	268,226	-	4,112,328
LOWER QUALITY						
10	360,201	1,173,027	771,414	197,560	1,356	2,503,558
11	435,568	1,027,769	453,191	131,306	4	2,047,838
12	1,452,287	3,120,095	741,308	167,285	32	5,481,007
PROCEDURAL						
13	54,930	472,697	184,187	54,912	-	766,726
14	387,916	595,321	204,022	78,485	-	1,265,744
15	3,243,900	3,741,347	1,846,172	967,458	-	9,798,877
NOT CLASSIFIED (WITHOUT DEGREE OF RISK)	329,875	2,172,610	867,613	256,887	426	3,627,411
TOTAL	8,122,588	23,047,258	24,839,020	4,505,349	563,283	61,077,498

Market risk

For the monitoring and control of market risk existing in the different portfolios, the Group uses an integrated risk measure that includes the main types of market risks identified by the Group: generic risk, specific risk, non-linear risk and commodities risk.

The measure used in the evaluation of generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by RiskMetrics. It is calculated considering a 10-working day time horizon and a unilateral statistical confidence interval of 99%. The estimation of the volatility associated to each risk factor in the model assumes an historical approach (equally weighted), with a one year observation period.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc) and associated derivatives, for which the performance is directly related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures are also used for other types of risk: a risk measure that incorporates the non-linear risk of options not covered in the VaR model, with a confidence interval of 99%, and a standard measure for commodities risks.

These measures are included in the market risk indicator of market risk with the conservative assumption of perfect correlation between the various types of risk.

Capital at risk values are determined both on an individual basis – for each portfolio of the areas having responsibilities in risk taking and management – and in consolidated terms, taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is adequate to evaluate the risks involved in the positions held, a back testing process has been established. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures, for the trading portfolio:

(Thousands of Euros)

	Dec 2015	Average	Maximum	Minimum	Dec 2014
Generic Risk (VaR)	**3,013**	6,140	16,699	1,709	6,380
Interest Rate Risk	**1,663**	4,214	4,042	1,474	5,327
FX Risk	**2,421**	3,934	16,586	946	3,717
Equity Risk	**42**	217	308	90	392
Diversification effects	***1,113***	*2,224*	*4,236*	*801*	*3,055*
Specific Risk	**727**	420	804	275	290
Non Linear Risk	**104**	112	690	15	52
Commodities Risk	**13**	15	212	11	15
Global Risk	**3,857**	6,682	17,091	2,257	6,737

The assessment of the interest rate risk originated by the banking portfolio's operations is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

This analysis considers the financial characteristics of the contracts available in information systems. Based on this data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval and for each of the currencies under analysis, allows to calculate the interest rate gap per repricing period.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions, considering non-negative interest rates for the -100/-200 basis points scenarios:

(Thousands of Euros)

	2015			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	3,361	3,361	4,250	8,439
EUR	77,621	58,561	9,865	24,445
PLN	33,840	16,141	(15,076)	(29,171)
USD	(10,560)	(9,499)	9,151	18,063
TOTAL	104,262	68,564	8,190	21,776

(Thousands of Euros)

	2014			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	(57)	(59)	3,713	7,381
EUR	3,858	(4,102)	86,784	174,664
PLN	40,455	19,696	(18,295)	(35,309)
USD	(8,157)	(6,325)	7,393	14,537
TOTAL	36,099	9,210	79,595	161,273

The Group limits the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments. The information of net investments, considered by the Group in hedging strategies on subsidiaries and on hedging instruments used, is as follows:

(Thousands of Euros)

Company	Currency	Net Investment	Hedging instruments	Net Investment	Hedging instruments
Banque Privée BCP (Suisse) S.A.	CHF	91,560	91,560	84,504	84,504
Millennium bcp Bank & Trust	USD	340,000	340,000	312,299	312,299
BCP Finance Bank, Ltd.	USD	561,000	561,000	515,293	515,293
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	*55,767*	*55,767*	51,223	51,223
Bank Millennium, S.A.	PLN	2,285,125	2,285,125	535,924	535,924

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.

No ineffectiveness has been recognised as a result of the hedging operations, as referred in the accounting policy 1 e).

Liquidity risk

The assessment of the Group's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

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

Throughout 2015, the Bank carried out the amortization of medium and long term debt amounting to Euros 611,830,000, related with the early redemption of senior debt and maturity of bank loans, and to the underwriting of new bank loans amounting to Euros 339,077,000.

The above mentioned developments, along with a decrease of the wholesale funding needs amounting to Euros 2,408,552,000, combined to change its structure in 2015, with decreases of Euros 910,490,000 in repos with financial institutions, of Euros 282,628,000 in senior debt an d of Euros 1,275,900,000 in the balance of borrowings with the European Central Bank (ECB), among other less expressive changes.

As at 31 December 2015, the balance of the net funding with the ECB reached Euros 5,302,393,000, representing a decrease of Euros 1,266,942,000 facing the amount registered in the same period of 2014.

The decrease of the net funding with the ECB, along with the reduction of Euros 215,180,000 of the portfolio of available eligible assets, allowed an increase of Euros 1,051,762,000 of the safety buffer, which totaled Euros 8,639,826,000 at the end of December 2015.

The composition of the balance funded through the Eurosystem was throughout 2015 impacted by the early redemption of a Euros 500,000,000 tranche prior to the maturity of the remaining balance of Euros 3,500,000,000, from an original total of Euros 12,000,000,000 borrowing granted in 2012 by the ECB through its long term refinancing operations.

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:

(Thousands of Euros)

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

As at 31 December 2015, the amount discounted in the European Central Bank amounted to Euros 5,482,510,000 (31 December 2014: Euros 6,692,510,000). As at 31 December 2015 and 2014, no amounts were discounted in Other Central Banks.

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

The evolution of the ECB's Monetary Policy Pool and the corresponding collaterals used is analysed as follows:

(Thousands of Euros)

	Dec 15	Jun 15	Dec 14	Jun 14
Collateral eligible for ECB, after haircuts:				
The pool of ECB monetary policy (i)	**11,955,411**	**12,349,060**	12,175,997	14,605,564
Outside the pool of ECB monetary policy (ii)	**1,986,808**	**2,170,036**	1,981,402	3,342,174
	13,942,219	**14,519,096**	14,157,399	17,947,738
Net borrowing at the ECB (iii)	**5,302,393**	**6,053,170**	6,569,335	8,658,921
Liquidity buffer (iv)	**8,639,826**	**8,465,926**	7,588,064	9,288,817

(i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
(ii) Includes assets temporarily ineligible (until June 2014).
(iii) Includes, as at 31 December 2015, the value of funding with the ECB net of deposits at the Bank of Portugal (Euros 171,372,000) and other liquidity of the Eurosystem (Euros 350,320,000), plus the minimum cash reserve (Euros 339,170,000) and the accrued interest (Euros 2,406,000).
(iv) Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

Thus, as at 31 December 2015, the liquidity obtainable through collateral available, plus deposits with the Bank of Portugal deducted from the minimum cash reserves and accrued interest, amounted to Euros 8,819,942,000 (31 December 2014: Euros 7,588,064,000).

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

(1) HLA- Highly Liquid Assets.
(2) Transformation ratio computed according to the updated Regulation no. 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 assets encumbrance (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, is presented as follows:

(Thousands 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	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

(Thousands of Euros)

	2014			
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	15,585,596	n / a	60,841,956	n / a
Equity instruments	-	-	2,220,081	2,218,963
Debt securities	3,059,616	3,059,616	8,551,366	8,354,230
Other assets	-	n / a	7,470,914	n / a

(Thousands 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	**2015**	2014	**2015**	2014
Collateral received by the reporting institution	**-**	-	**-**	-
Equity instruments	**-**	-	**-**	-
Debt securities	**-**	-	**-**	-
Other collateral received	**-**	-	**-**	-
Own debt securities issued other than own covered bonds or ABSs	**-**	-	**-**	-

(Thousands of Euros)

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

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 8,012,360,000 Euros 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 and current tax assets.

The amounts presented correspond to the position as at 31 December 2015 and 2014 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 2015 amounts to Euros 8,639,826,000. As at 31 December, 2014, the amount was Euros 7,588,064,000.

Operational Risk
The approach to operational risk management is based on a 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 loans.

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.

54. SOLVENCY

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the generic market risk and the standard method for the operational risk.

The consolidated own funds of the Group are determined according to the established regulation, in particular, according to Directive 2013/36/UE and Regulation (EU) 575/2013, approved by the European Parliament and the Council (Capital Requirements Directive IV / Capital Requirements Regulation – CRD IV/CRR), and the Notice no. 6/2013 from Bank of Portugal.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

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

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to CRD IV / CRR, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The own funds and the capital requirements determined according to the CRD IV/CRR methodologies previously referred, are the following:

(Thousands of Euros)

	2015	2014 (*)	2014
COMMON EQUITY TIER 1 (CET1)			
Ordinary share capital	**4,094,235**	3,706,690	3,706,690
Share Premium	**16,471**	-	-
Ordinary own shares	**(1,187)**	(1,595)	(1,595)
Other capital (State aid)	**750,000**	750,000	750,000
Reserves and retained earnings	**450,818**	338,365	338,365
Minority interests eligible to CET1	**866,167**	686,240	686,240
Regulatory adjustments to CET1	**(401,744)**	(375,842)	(403,057)
	5,774,760	5,103,858	5,076,643
TIER 1			
Capital Instruments	**22,628**	92,896	92,896
Minority interests eligible to AT1	**2,945**	-	-
Regulatory adjustments	**(25,573)**	(92,896)	(92,896)
	5,774,760	5,103,858	5,076,643
TIER 2			
Subordinated debt	**517,792**	876,252	876,252
Minority interests eligible to CET1	**134,987**	141,019	141,019
Others	**(220,797)**	(294,147)	(294,147)
	431,982	723,124	723,124
TOTAL OWN FUNDS	**6,206,742**	5,826,982	5,799,767
RISK WEIGHTED ASSETS			
Credit risk	**38,707,735**	39,298,813	38,160,015
Market risk	**1,136,442**	919,957	919,957
Operational risk	**3,239,684**	3,071,865	3,071,865
CVA	**231,559**	224,269	224,269
	43,315,420	43,514,904	42,376,106
CAPITAL RATIOS			
CET1	**13,3%**	11,7%	12,0%
Tier 1	**13,3%**	11,7%	12,0%
Tier 2	**1,0%**	1,7%	1,7%
	14,3%	13,4%	13,7%

(*) Proforma considering the new DTA Regime according to the consolidated financial statements.

55. ACCOUNTING STANDARDS RECENTLY ISSUED

The recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

IFRIC 21 – Levies
The IASB issued this interpretation on 20th May 2013, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation no. 634/2014, 13th June.

IFRIC 21 defines a Levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

This interpretation only affected the interim financial statements of the Group.

Improvements to IFRS (2011-2013)
The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduces amendments with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361 / 2014, 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 January 2015).

• IFRS 1 – Meaning of "effective IFRS"
IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS 1 is permitted, but not required, to be applied in the entity's first IFRS financial statements.

• IFRS 3 – Scope exceptions for joint ventures
The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

• IFRS 13 – Scope of paragraph 52 – portfolio exception
Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

• IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property
The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Group had no relevant impact as a result of these improvements.

The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions
The IASB issued this amendment on 21th November 2013, effective (with retrospective application) for annual periods beginning on or after 1st July 2014. This amendment was endorsed by EU Commission Regulation 29/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

The amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognize employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)
The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

• IFRS 2 – Definition of vesting condition
The amendment clarifies the definition of "vesting conditions" in Appendix A of IFRS 2 Share-based Payment, by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

• IFRS 3 – Accounting for contingent consideration in a business combination
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely, classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

• IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets
The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the Chief Operating decision maker.

• IFRS 13 – Short-term receivables and payables
IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39 AG79, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

• IAS 16 and IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization
In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (a) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and, (b) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

• IAS 24 – Related Party Transactions – Key management personal services
In order to address the concerns about the identification of key management personal ("KMP") costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Group expects no impact from the adoption of these amendments on its financial statements.

Improvements to IFRS (2012-2014)
The annual improvements cycle 2012-2014, issued by IASB on 25th September 2014, introduce amendments, with effective date on, or after, 1st January 2016, to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments were endorsed by EU Commission Regulation 2343 / 2015, 15th December 2015.

• IFRS 5 – Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method
The amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being "held for sale" to being "held for distribution to owners" (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

• IFRS 7 – Financial Instruments: Disclosures: Servicing contracts
The amendments to IFRS 7 – Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42 C of IFRS 7.

• IFRS 7 – Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements
The amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

• IAS 19 – Employee Benefits: Discount rate: regional market issue
The amendments to IAS 19 – Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

• IAS 34 – Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report"
The amendments clarify that the "other disclosures" required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Group expects no impact from the adoption of these amendments on its financial statements.

IAS 27 – Equity Method in Separate Financial Statements
IASB issued on August 12, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after January 1, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, 18h December 2015.

The group has not yet taken any decision on a possible adoption of this option in the Group separate financial statements.

Recently Issued pronouncements that are not yet effective for the Group

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortized, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue from interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognized in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognized in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments, which do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

This situation includes investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognized in profit or loss (FVTPL).

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held-to--maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) established a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

As a result, loss event will no longer need to occur before an impairment allowance is recognized. This new model will accelerate recognition of losses for impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognized.

As soon as the loss event occur (what is current define as "objective evidence of impairment"), the impairment allowance would be allocated directly to the financial asset affected, which provide the same accounting treatment, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is 1 January 2018.

The Group has started the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

IFRS 15 – Revenue from contracts with customers

The IASB issued, on 28th May 2014, IFRS 15 – Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1st July 2017. This standard will revoke IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer 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.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognized and the amount.

The model specifies that the revenue should be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognized:
- at a time when the control of the goods or services is transferred to the customer; or
- over the period, to the extent that represents the performance of the entity.

The Group is still evaluating the impact from the adoption of this standard.

IFRS 14 – Regulatory Deferral Accounts
The IASB issued on 30th January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

This standard is not applicable to the group.

IFRS 16 – Leases
The IASB, issued on 13th January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1st July 2019. This new standard replaces IAS 17 Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee – the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The group has not carry out a full analysis of the application of the impact of this standard yet.

Other amendments
It was also issued by IASB in 2014, and applicable effective by 1 January 2016, the following amendments:
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and was endorsed by EU Commission Regulation 2113/2015, 23th November);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and was endorsed by EU Commission Regulation 2231/2015, 2nd December);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and was endorsed by EU Commission Regulation 2173/2015, 24th November);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18 December)
- Amendments to IAS 1 – Disclosure initiative (issued on 18 December).

The Group expects no impact from the adoption of these amendments on its financial statements.

56. CONTINGENCIES AND COMMITMENTS

1. The Bank received a formal notice dated 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based on preliminary evidence of administrative offences foreseen in the Legal Framework for Credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, 31 December), in particular with respect to breach of accounting rules, provision of false or incomplete information to the Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

The proceedings continued and by a Decision issued on 9 June 2015, the Lisbon Court of Appeal partly approved the Bank's Appeal and declared that part of the offences of alleged provision of false information to the Bank of Portugal had reached a statute of limitation, thereby acquitting the Bank of the remaining offences (that did not reach the statute). It further acquitted the Bank of two alleged offences of falsifying accounting records. The Lisbon Court of Appeal confirmed the sentence of the Bank for two other alleged offences of falsifying accounting records. Therefore, the Lisbon Court of Appeal decreased the fine imposed to the Bank, from Euros 4,000,000 to Euros 750,000. The bank and one of the defendants (individual) appealed this Judgment to the Constitutional Court but these appeals were denied. The Judgment of the Lisbon Court of Appeal became definitive and final.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for a civil indemnity.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended 2-year prison sentences and to the payment of fines amounting to between Euros 300,000 and Euros 600,000 for the crime of market manipulation, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. In its decision dated of 25 February 2015, the Lisbon Court of Appeal confirmed in full the terms of the aforementioned sentence. According to the information available, the appellate court's final decision has not yet been delivered as final.

3. In December of 2013, the company Sociedade de Renovação Urbana Campo Pequeno, S.A., in which the Bank holds a 10% stake as a result of a conversion of credits, filed a lawsuit against the Bank for Euros 75,735,026.50 claiming (i) the acknowledgement that the loan agreement entered into by such company and the Bank on 29 May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) for the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt represented by a promissory note (held by the company) acting as security.

The Bank is convinced that, having in consideration the facts argued by the Plaintiff, the suit shall be deemed unfounded.

One of the creditors of the plaintiff requested its bankruptcy and the Bank claimed credits amounting to Euros 82,253,962.77. Thus, the proceedings mentioned above is suspended.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6 March 2013, several

searches were conducted to the Bank's premises, as well as to at least 8 other credit institutions, where documentation was seized in order to check for signs of privileged commercial information in the Portuguese banking market.

The Portuguese Competition Authority has declared that the administrative proceedings are to stay under judicial secrecy, once it considered that the interests dealt with in the investigation, as well as the parties' rights, would not be compatible with the publicity of the process.

The Bank received on 2 June 2015, the notice of an illicit act issued by the Competition Authority relating to the administrative offence proceedings 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."

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. Currently, the Bank waits for the next hearing to be scheduled.

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 claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. The Bank already contested demanding that the lawsuit be dismissed.

6. On 1 October 2015, a set of entities connected to a group with past due loans to the Bank worth Euros 170 million, resulting from a loan agreement signed in 2009 – debts already fully provisioned in the Bank's accounts -, filed against the Bank, after receiving the Bank's notice for mandatory payment, a lawsuit aiming to:

a) deny the obligation to settle those debts to the Bank, arguing that the respective agreement is null, but without the corresponding obligation of returning the amounts already paid;

b) have the Bank sentenced to pay amounts of around Euros 90 million and Euros 34 million for other debts owed by those entities to other banking institutions, as well as other amounts, totalling around Euros 26 million, supposedly already paid by the debtors within the scope of the loan agreements;

c) have the Bank be given ownership of the object of the pledges associated to the aforementioned loan agreements, around 340 million shares of the Bank, allegedly purchased on behalf of the Bank, at its request and in its interest.

The Bank presented its defense arguments and considers that, in view of the facts, there is a strong chance that the proceedings will be dismissed.

7. Resolution Fund

In accordance with Decree-Law no. 24/2013 which establishes the modus operandi of the Resolution Fund ("RF"), the Bank has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, the Bank made the initial contribution, pursuant to Article 3 of that Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of that Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of Decree-Law no. 24/2013, of 19 February. The Bank is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the eventual collection of a special contribution appears to be unlikely."

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, SA), which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A.

Additionally, the Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif – Banco Internacional do Funchal, SA ("BANIF"), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 December 2015, there is no estimate on the amount of potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Bank, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, the Group had to make an initial contribution in the amount of Euros 31,364,000, as referred in note 9. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

57. SOVEREIGN DEBT OF EUROPEAN UNION COUNTRIES SUBJECT TO BAILOUT

As at 31 December 2015, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

Issuer / Portfolio	Book value (Euros '000)	Fair value (Euros '000)	Fair value reserves (Euros '000)	Average interest rate %	Average maturity years	Fair value measurement levels
GREECE						
Financial assets held for trading	259	259	-	0.00%	0.0	1

As at 31 December 2014, the Group's exposure to sovereign debt of European Union countries subject to bailout, is as follows:

Issuer / Portfolio	Book value (Euros '000)	Fair value (Euros '000)	Fair value reserves (Euros '000)	Average interest rate %	Average maturity years	Fair value measurement levels
GREECE						
Financial assets held for trading	1,024	1,024	-	0.00%	0.0	1

58. 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 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 financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds 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 investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:
- determine the objective of the Fund;
- 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 the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law 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 of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These securities are remunerated at an interest rate that reflects the risk of the company that holds the assets.

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 sale value to the companies under the Portuguese Law.

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.

However, 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, they are fully provided.

Therefore, following the transactions, the Group subscribed:
- participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.
- junior securities (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed, under the scope of IAS 39.20 c, the derecognition of the assets transferred and the recognition of the assets received as follows:

(Thousands of Euros)

	Values associated to transfers of assets					
	2015			2014		
	Net assets transferred	**Received value**	**Income / (loss) resulting from the transfer**	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR	**268,318**	**294,883**	**26,565**	266,079	292,644	26,565
Fundo Reestruturação Empresarial FCR	**82,566**	**83,212**	**646**	82,566	83,212	646
FLIT	**399,900**	**383,821**	**(16,079)**	399,900	383,821	(16,079)
Vallis Construction Sector Fund	**200,105**	**235,656**	**35,551**	200,105	235,656	35,551
Fundo Recuperação FCR	**242,972**	**232,173**	**(10,799)**	242,972	232,173	(10,799)
Fundo Aquarius FCR	**124,723**	**132,635**	**7,912**	98,840	106,736	7,896
Discovery Real Estate Fund	**152,155**	**138,187**	**(13,968)**	152,155	138,187	(13,968)
Fundo Vega FCR	**113,633**	**109,567**	**(4,066)**	-	-	-
	1,584,372	**1,610,134**	**25,762**	1,442,617	1,472,429	29,812

As at 31 December 2015, the amount of this account is comprised of:

(Thousands of Euros)

	2015					
	Senior securities	Junior securities	Total	Impairment for seniors	Impairment for juniors	Net value
Fundo Recuperação Turismo FCR	287,929	30,808	318,737	(34,431)	(30,808)	253,498
Fundo Reestruturação Empresarial FCR	83,319	-	83,319	(1,214)	-	82,105
FLIT	297,850	41,094	338,944	(2,862)	(41,094)	294,988
Vallis Construction Sector Fund	228,765	35,441	264,206	-	(35,441)	228,765
Fundo Recuperação FCR	222,737	75,130	297,867	(54,848)	(75,130)	167,889
Fundo Aquarius FCR	136,111	-	136,111	(1,944)	-	134,167
Discovery Real Estate Fund	145,624	-	145,624	(940)	-	144,684
Fundo Vega FCR	46,067	63,519	109,586	-	(63,518)	46,068
	1,448,402	245,992	1,694,394	(96,239)	(245,991)	1,352,164

As at 31 December 2014, the amount of this account is comprised of:

(Thousands of Euros)

	2014					
	Senior securities	Junior securities	Total	Impairment for seniors	Impairment for juniors	Net value
Fundo Recuperação Turismo FCR	282,615	-	282,615	(30,593)	-	252,022
Fundo Reestruturação Empresarial FCR	89,327	-	89,327	(1,716)	-	87,611
FLIT	291,632	40,064	331,696	(5,846)	(40,064)	285,786
Vallis Construction Sector Fund	218,749	35,441	254,190	-	(35,441)	218,749
Fundo Recuperação FCR	219,423	72,793	292,216	(41,982)	(72,793)	177,441
Fundo Aquarius FCR	106,433	-	106,433	-	-	106,433
Discovery Real Estate Fund	143,635	-	143,635	(4,606)	-	139,029
	1,351,814	148,298	1,500,112	(84,743)	(148,298)	1,267,071

The junior securities correspond to supplementary capital contributions in the amount of Euros 210,550,000 (31 December 2014: Euros 112,857,000), as referred in note 33 and Participation units in the amount of Euros 35,441,000 (31 December 2014: 35,441,000) as referred in note 24.

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).

Additionally are booked in loans and advances to customer's portfolio, financing operations associated with the following transfers of assets:

(Thousands of Euros)

	2015			2014		
	Received value	**Impairment**	**Net value**	Received value	Impairment	Net value
Fundo Recuperação Turismo FCR	**-**	**-**	**-**	27,450	27,450	-
Fundo Recuperação FCR	**14,769**	**14,769**	**-**	14,555	14,555	-
Fundo Aquarius FCR	**20,772**	**19,571**	**1,201**	19,094	18,513	581
	35,541	**34,340**	**1,201**	61,099	60,518	581

59. DISCONTINUED OPERATIONS

Under the restructuring plan, the Group concluded in May 2015, the sale of Millennium bcp Gestão de Activos, S.A. As at 31 December 2014, the total assets and liabilities of this subsidiary are recognized in the consolidated balance while in the respective lines and the costs and profits for the year were presented in a single line called profit from discontinued operations.

The main items of the balance sheet, related to this discontinued operation, are analysed as follows:

(Thousands of Euros)

	2014
Cash and deposits at credit institutions	961
Loans and advances to credit institutions	3,000
Other assets	1,867
TOTAL ASSETS	5,828
Other liabilities	1,917
TOTAL LIABILITIES	1,917
Share capital	1,000
Reserves and retained earnings	2,911
TOTAL EQUITY	3,911
TOTAL EQUITY AND LIABILITIES	5,828

The main items of the income statement, related to this discontinued operation, are analysed as follows:

(Thousands of Euros)

	2014
Net interest income	36
Net fees and commissions income	7,064
Other operating income	533
TOTAL OPERATING INCOME	7,633
Staff costs	2,273
Other administrative costs	1,730
Depreciation	8
TOTAL OPERATING EXPENSE	4,011
NET OPERATING INCOME / (LOSS)	3,622
Net gain from the sale of subsidiaries and other assets	20
Income tax	(991)
NET INCOME / (LOSS) FOR THE YEAR	2,651

60. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS GROUP

As at 31 December 2015 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	%control	%held	%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	–
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	–
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	50.1	50.1	50.1
Banque Privée BCP (Suisse) S.A.	Geneve	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	90,911,319	EUR	Investment	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	Investment	100.0	50.1	–
Millennium BCP – Escritório de Representações e Serviços, Ltda.	Sao Paulo	49,545,986	BRL	Financial Services	100.0	100.0	100.0
BCP International B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	EUR	Holding company	100.0	100.0	100.0
Bitalpart, B.V.	Amsterdam	19,370	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital – Sociedade de Capital de Risco, S.A.	Oeiras	2,000,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
Enerparcela – Empreendimentos Imobiliários, S.A.	Alverca	8,850,000	EUR	Real-estate management	100.0	100.0	–
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Oeiras	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Adelphi Gere, Investimentos Imobiliários, S.A.	Oeiras	10,706,743	EUR	Real-estate management	100.0	100.0	–
Sadamora – Investimentos Imobiliários, S.A.	Oeiras	11,337,399	EUR	Real-estate management	100.0	100.0	–
Millennium bcp – Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.9	93.6	81.0

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	%control	%held	%held
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Millennium Dom Maklerski, S.A.	Warsaw	16,500,000	PLN	Brokerage services	100.0	50.1	–
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	50.1	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	50.1	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	50.1	–
Millennium TFI –Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	50.1	–
MBCP REO I, LLC	Delaware	1,389,835	USD	Real-estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	2,847,869	USD	Real-estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Oeiras	50,000	EUR	Real-estate management	99.9	99.9	99.9
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda	Lisbon	5,000	EUR	Real-estate company	52.7	52.7	52.7
QPR Investimentos, S.A.(*)	Oeiras	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrus – Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	50.1	–
Irgossai – Urbanização e construção, S.A.(*)	Lisbon	50,000	EUR	Construction and sale of real-estate projects	100.0	100.0	100.0
Imábida - Imobiliária da Arrábida, S.A.(*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0

(*) Companies classified as non-current assets held for sale.

As at 31 December 2015 the BCP Group's subsidiary insurance companies included in the consolidated accounts under the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% control	% held	% 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 referred in the accounting policy presented in note 1 b), the Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação – Fundo de Capital de Risco BCP Capital", "Fundo Especial de Investimento Imobiliário Fechado Intercapital", "Millennium Fundo de Capitalização – Fundo de Capital de Risco", "Funsita – Fundo Especial de Investimento Imobiliário Fechado", "Imoport – Fundo de Investimento Imobiliário Fechado", "Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado", "Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado", "Fundial – Fundo Especial de Investimento Imobiliário Fechado","DP Invest – Fundo Especial de Investimento Imobiliário Fechado" and "Fundipar – Fundo Especial de Investimento Imobiliário Fechado".

During 2015, was sold the investment held in Millennium bcp Gestão de Activos, SA and it was included in the consolidation perimeter the fund "Fundipar – Fundo Especial de Investimento Imobiliário Fechado". During 2015 were liquidated the companies BII Investimentos International, S.A. and Flitptrell III SA.

Additionally, as part of the process of strengthening capital ratios, the Group at the end of March 2015 sold 15.41% of Bank Millennium SA (Poland), holding now 50.1% and maintaining the control.

As at 31 December 2015 the Group's associated companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	%control	% held	% held
Banque BCP, S.A.S.	Paris	108,941,724	EUR	Banking	19.9	19.9	19.9
Banque BCP, S.A.(**)	Luxembourg	22,250,000	EUR	Banking	7.3	7.3	–
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
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	–
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
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	Funchal	1,870,492	EUR	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	21.9	21.9	21.5
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Oeiras	50,000	EUR	Advisory	25.0	25.0	25.0
UNICRE – Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7

(**) - Given the nature of the Group's involvement, the Board of Directors believes that the Group maintains a significant influence on these companies.

In December 2015, the Group proceeded with the sale of VSC – Aluguer de Veículos Sem Condutor, Lda. to GE Capital Holding Portugal, SGPS, Unipessoal Lda.

As at 31 December 2015 the Group's associated insurance companies included in the consolidated accounts under the equity method were as follows:

					Group		Bank
Associated companies	Head office	Share capital	Currency	Activity	%control	% held	% 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	–

(*) Change of Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A name.

As at 31 December, 2015, the associated company Millenniumbcp Ageas Grupo Segurador, SGPS, SA holds 652,087,518 BCP shares in the amount of Euros 31,822,000.

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.

61. SUBSEQUENT EVENTS

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 a preliminary assessment of the impact for the banking sector. That assessment was requested to the Polish Financial Supervision Authority which published its results on 15 March. The conclusions presented by the polish financial regulator point to very high potential losses to the banking system which, directly and in the most likely scenario, could reach a minimum amount of PLN 66.9 billion (Euros 15.7 billion) and, in more adverse scenarios, PLN 103.4 billion (Euros 24.3 billion), to which much higher costs to the public accounts and clients would be added. In this context, it is expected that new proposals will be considered. The implementation of solutions that will privilege the fx mortgage borrowers may, depending on their details and scope, significantly deteriorate the profitability and capital position of the Bank.

Previously, according to the Financial Stability Report published by the National Bank of Poland on 10 February 2016, the overall direct costs for the polish banking sector had been estimated that may reach PLN 44 billion (Euros 10.3 billion) and, in case of compulsory restructuring, a further impact of PLN 21 billion (Euros 4.9 billion) has been estimated. In these estimations are not included neither the costs of closing the currency position nor operational costs.

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 th e balance of total assets less own funds, polish Treasury bonds and PLN 4 billion (Euros 900 million) tax-exempt amount. Accordingly to the Bank Millennium Poland understanding of methodology to be applied for the tax calculation, the preliminary estimation based on balance sheet positions and own funds as at 31 December 2015, for all monthly calculations, would amount to PLN 186 million (Euros 43.6 million) of charge for entire 2016 year. This tax will be implemented on top of other taxes, which the Bank, as each bank in Poland, is regularly paying.

The amount of banking tax which that will effectively be paid in 2016, may eventually differ from the above estimates, mainly due to variable tax basis which will be used for monthly tax calculation.

Process of offers to tender notes for purchase

Banco Comercial Português, S.A. (BCP) has launched in February 2016 an invitation of offers to tender notes for purchase to holders of the issues listed below. The invitation is limited to a maximum aggregate purchase amount of Euros 300 million. The purpose of the invitation is to proactively manage the Bank's outstanding liabilities and capital base:
– Issuer: Banco Comercial Português, S.A. – Issue: Euros 500,000,000 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes")
– Outstanding Principal Amount: Euros 500,000,000;
– Issuer: Magellan Mortgages No. 2 plc – Issue: Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036 – Outstanding Principal Amount: Euros 87,870,120;
– Issuer: Magellan Mortgages No. 3 plc Issue: Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058 – Outstanding Principal Amount: Euros 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 amortised 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 (amortised principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:
– Issuer: Banco Comercial Português, S.A. – Issue: Euros 500,000,000 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes") – Accepted Outstanding Principal Amount: Euros 85,300,000
– Issuer: Magellan Mortgages No. 2 plc – Issue: Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036 – Accepted Outstanding Principal Amount: Euros 26,455.52;
– Issuer: Magellan Mortgages No. 3 plc Issue: Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058 – Accepted Outstanding Principal Amount: Euros 0.

The settlement date was on 26 February 2016.

(IV) ACCOUNTS AND NOTES TO THE INDIVIDUAL ACCOUNTS FOR 2015

INCOME STATEMENT FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Notes	2015	2014
Interest and similar income	3	**1,305,183**	1,966,827
Interest expense and similar charges	3	**(641,119)**	(1,541,787)
NET INTEREST INCOME		**664,064**	425,040
Dividends from equity instruments	4	**154,814**	374,425
Net fees and commissions income	5	**428,631**	441,117
Net gains/(losses) arising from trading and hedging activities	6	**108,024**	(61,698)
Net gains/(losses) arising from available for sale financial assets	7	**324,679**	357,096
Net gains/(losses) arising from financial assets held to maturity	8	**-**	(14,492)
Other operating income/(costs)	9	**(26,495)**	(12,856)
TOTAL OPERATING INCOME		**1,653,717**	1,508,632
Staff costs	10	**365,190**	401,033
Other administrative costs	11	**251,022**	268,303
Depreciation	12	**23,864**	25,031
OPERATING EXPENSES		**640,076**	694,367
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS		**1,013,641**	814,265
Loans impairment	13	**(514,285)**	(1,158,366)
Other financial assets impairment	14	**(96,517)**	(134,986)
Other assets impairment	25, 26 and 30	**(198,898)**	(499,088)
Other provisions	15	**(57,882)**	(203,178)
OPERATING NET (LOSS)/INCOME		**146,059**	**(1,181,353)**
Gains/(losses) arising from the sale of subsidiaries and other assets	16	**101,937**	226,047
NET INCOME/(LOSS) BEFORE INCOME TAXES		**247,996**	(955,306)
Income taxes			
Current	29	**(5,767)**	(5,641)
Deferred	29	**(16,172)**	276,523
NET INCOME/(LOSS) FOR THE YEAR		**226,057**	(684,424)
Earnings per share (in Euros)	17		
Basic		**0.004**	(0.016)
Diluted		**0.004**	(0.016)

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the individual financial statements

BALANCE SHEET AS AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Notes	2015	2014
ASSETS			
Cash and deposits at Central Banks	18	**539,900**	532,837
Loans and advances to credit institutions			
Repayable on demand	19	**138,155**	223,937
Other loans and advances	20	**767,374**	1,268,991
Loans and advances to customers	21	**35,105,791**	36,760,931
Financial assets held for trading	22	**999,658**	1,336,286
Other financial assets held for trading at fair value through profit or los	22	**152,018**	-
s Financial assets available for sale	22	**6,772,806**	5,515,871
Hedging derivatives	23	**39,264**	53,157
Financial assets held to maturity	24	**427,363**	2,311,181
Investments in subsidiaries and associated companies	25	**3,697,083**	4,048,111
Non-current assets held for sale	26	**1,256,442**	1,109,939
Property and equipment	27	**209,685**	212,873
Intangible assets	28	**12,665**	9,888
Current income tax assets		**9,953**	7,454
Deferred income tax assets	29	**2,911,323**	2,817,914
Other assets	30	**1,111,637**	1,197,226
TOTAL ASSETS		**54,151,117**	57,406,596
LIABILITIES			
Deposits from credit institutions	31	**8,280,004**	10,721,087
Deposits from customers	32	**35,150,754**	35,055,898
Debt securities issued	33	**3,979,861**	4,588,188
Financial liabilities held for trading	34	**644,931**	806,480
Hedging derivatives	23	**40,923**	28,547
Provisions	35	**432,124**	544,756
Subordinated debt	36	**1,530,190**	2,019,364
Current income tax liabilities		**3,276**	2,917
Other liabilities	37	**661,756**	762,971
TOTAL LIABILITIES		**50,723,819**	54,530,208
EQUITY			
Share capital	38	**4,094,235**	3,706,690
Share premium		**16,471**	-
Other equity instruments	38	**2,922**	9,853
Treasury stock	41	**-**	(1,239)
Fair value reserves	40	**61,366**	113,246
Reserves and retained earnings	40	**(973,753)**	(267,738)
Net income/(loss) for the year		**226,057**	(684,424)
TOTAL EQUITY		**3,427,298**	2,876,388
		54,151,117	57,406,596

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the individual financial statements

CASH FLOWS STATEMENT FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	2015	2014
CASH FLOWS ARISING FROM OPERATING ACTIVITIES		
Interests received	**1,151,745**	1,634,972
Commissions received	**558,787**	575,631
Fees received from services rendered	**66,723**	60,813
Interests paid	**(712,090)**	(1,675,416)
Commissions paid	**(176,048)**	(259,783)
Recoveries on loans previously written off	**25,666**	12,449
Payments to suppliers and employees	**(770,486)**	(845,836)
Income taxes (paid)/received	**(4,695)**	(1,502)
	139,602	(498,672)
DECREASE/(INCREASE) IN OPERATING ASSETS:		
Receivables from credit institutions	**493,421**	6,496,511
Deposits held with purpose of monetary control	**27,285**	969,869
Loans and advances to customers	**920,718**	3,627,070
Short term trading account securities	**200,315**	(53,119)
INCREASE/(DECREASE) IN OPERATING LIABILITIES:		
Deposits from credit institutions repayable on demand	**108,297**	(135,276)
Deposits from credit institutions with agreed maturity date	**(2,492,626)**	(5,646,911)
Deposits from clients repayable on demand	**3,452,976**	237,656
Deposits from clients with agreed maturity date	**(3,280,567)**	(1,222,120)
	(430,579)	3,775,008
CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Sale of shares in subsidiaries and associated companies	**499,305**	953,962
Acquisition of shares in subsidiaries and associated companies	**(483)**	(829)
Dividends received	**154,814**	374,425
Interest income from available for sale financial assets and held to maturity financial assets	**192,824**	363,028
Sale of available for sale financial assets	**11,832,156**	16,349,924
Acquisition of available for sale financial assets	**(11,354,337)**	(12,886,971)
Maturity of available for sale financial assets	**185,523**	2,457,981
Acquisition of tangible and intangible assets	**(31,511)**	(16,703)
Sale of tangible and intangible assets	**1,031**	7,475
Decrease/(increase) in other sundry assets	**(87,959)**	1,032,887
	1,391,363	8,635,179
CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Issuance of subordinated debt	**358**	2,088
Reimbursement of subordinated debt	**(111,265)**	(3,893,915)
Issuance of debt securities	**44,497**	3,487,528
Reimbursement of debt securities	**(818,385)**	(11,621,839)
Issuance of commercial paper and other securities	**120,558**	99,563
Reimbursement of commercial paper and other securities	**(5,240)**	(19,060)
Share capital increase	**-**	2,241,690
Increase/(decrease) in other sundry liabilities	**(242,741)**	(3,262,541)
	(1,012,218)	(12,966,486)
Net changes in cash and equivalents	**(51,434)**	(556,299)
Cash and equivalents at the beginning of the year	**539,744**	1,096,043
Cash (note 18)	**350,155**	315,807
Other short term investments (note 19)	**138,155**	223,937
Cash and equivalents at the end of the year	**488,310**	539,744

See accompanying notes to the individual financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Total equity	Share capital	Other equity instruments	Share premium	Legal and statutory reserves	Fair value reserves	Other reserves and retained earnings	Treasury stock
BALANCE ON 1 JANUARY, 2014	1,774,286	3,500,000	9,853	-	223,270	71,683	(2,029,311)	(1,209)
OTHER COMPREHENSIVE INCOME								
Fair value reserves (note 40)	41,563	-	-	-	-	41,563	-	-
Actuarial losses for the year (note 46):								
Gross value	(471,177)	-	-	-	-	-	(471,177)	-
Taxes	33,452	-	-	-	-	-	33,452	-
Amortization of the transition adjustment related to pensions (Regulation no.12/01)	(13,375)	-	-	-	-	-	(13,375)	-
Net income/(loss) for the year	(684,424)	-	-	-	-	-	(684,424)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(1,093,961)	-	-	-	-	41,563	(1,135,524)	-
Share capital decrease (note 38)	-	(2,035,000)	-	-	-	-	2,035,000	-
Share capital increase (note 38)	2,241,690	2,241,690	-	-	-	-	-	-
Costs related to the share capital increase	(57,718)	-	-	-	-	-	(57,718)	-
Tax related to costs arising from the share capital increase	12,121	-	-	-	-	-	12,121	-
Treasury stock	(30)	-	-	-	-	-	-	(30)
BALANCE ON 31 DECEMBER, 2014	2,876,388	3,706,690	9,853	-	223,270	113,246	(1,175,432)	(1,239)
OTHER COMPREHENSIVE INCOME								
Fair value reserves (note 40)	(51,880)	-	-	-	-	(51,880)	-	-
Actuarial losses for the year (note 46):								
Gross value	(108,670)	-	-	-	-	-	(108,670)	-
Taxes	86,230	-	-	-	-	-	86,230	-
Net income/(loss) for the year	226,057	-	-	-	-	-	226,057	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	151,737	-	-	-	-	(51,880)	203,617	-
Share capital increase by securities exchange (note 38 and 44)	397,085	387,545	(6,931)	16,471	-	-	-	-
Costs related to the share capital increase	(1,173)	-	-	-	-	-	(1,173)	-
Tax related to costs arising from the share capital increase	247	-	-	-	-	-	247	-
Treasury stock	3,014	-	-	-	-	-	1,775	1,239
BALANCE ON 31 DECEMBER, 2015	3,427,298	4,094,235	2,922	16,471	223,270	61,366	(970,966)	-

See accompanying notes to the individual financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AT 31 DECEMBER, 2015 AND 2014

(Thousands of Euros)

	Notes	2015	2014
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Fair value reserves		**(75,457)**	57,658
Taxes		**23,577**	(16,095)
		(51,880)	41,563
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Actuarial losses for the year			
Gross Amount	46	**(108,670)**	(471,177)
Taxes		**86,230**	33,452
		(22,440)	(437,725)
AMORTIZATION OF THE TRANSITION ADJUSTMENT TO PENSIONS (REGULATION NO. 12/01)			
Gross Amount		**-**	(16,930)
Taxes		**-**	3,555
		-	(13,375)
Other comprehensive (loss)/income after taxes		**(74,320)**	(409,537)
Net income/(loss) for the year		**226,057**	(684,424)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**151,737**	(1,093,961)

See accompanying notes to the individual financial statements

1. ACCOUNTING POLICIES

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a public 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, 2015 and 2014.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal, the Bank's financial statements are required to be prepared in accordance with "Normas de Contabilidade Ajustadas" (NCA's), issued by the Bank of Portugal, which are based in International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) since the year 2005, except regarding the issues defined at no. 2 and no. 3 of Regulation no. 1/2005 and no. 2 of Regulation 4/2005 from the Bank of Portugal. NCA's 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, with the exception of the issues referred in no. 2 and no. 3 of Regulation no. 1/2005 and no. 2 of Regulation no. 4/2005 of Bank of Portugal: i) maintenance of the actual requirements related with measurement and provision of loans and advances to customers, ii) employee benefits through the definition of a deferral period for the transition impact to IAS 19 and iii) restriction to the application of some issues established in IAS/IFRS. The financial statements presented were approved on 28 March 2016 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.

The Bank's financial statements for the year ended 31 December, 2015 were prepared in terms of recognition and measurement in accordance with the NCA's, established by the Bank of Portugal and effective on that date.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2015, as referred in note 50.

The accounting policies in this note were applied consistently to all entities of the Bank and are consistent with those used in the preparation of the financial statements of the previous period, with the changes arising from the adoption of the following standards: IFRIC 21 – Levies.

IFRIC 21 – Levies

The IASB issued this interpretation on 20th May 2013, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation no. 634/2014, 13th June (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 17 June 2014).

IFRIC 21 defines a Levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

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.

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

As referred in the accounting policy described in note 1 a), the Bank has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and no. 3 of Regulation no. 1/2005 from the Bank of Portugal, the Bank adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by the Bank, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by the Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June, no. 7/00, of 27 October and no. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover latent bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January, of the Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from the Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of the Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, according to Regulation no. 3/95 of the Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains 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 Net gains/(losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the requirements is fulfilled:
- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions;
- the assets and liabilities include derivatives that significantly change the cash flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the 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 until they are sold or an impairment loss exists. On disposal of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains/(losses) arising from available for sale financial assets. 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 the income statement 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 the category of financial assets at fair value through profit and loss or financial assets available for sale. 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 incremental direct 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 Bank's policies, a 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. Recovery of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there is no reversal in the income statement).

(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, unless 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.

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 and to changes in foreign exchange risk related with the monetary items 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 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. 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, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any 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 income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement 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 requirements described in the standard are met, namely:

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- 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 Financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair Value Option) are prohibited.

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

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the 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 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.

j) Investements in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in the Bank's individual 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; or
- 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 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.

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.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

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 the Bank.

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. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the 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 with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following aspects are considered:

- interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- the interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains/(losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions, that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Financial net gains / losses (Net gains / losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held-to-maturity)

Financial net gains/losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes the impairment losses and 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 financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the 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
Premises	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.

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 cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the balance sheet date, including cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

t) Offsetting

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

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

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, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the 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 (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 proceed to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System (Caixa de Abono de Família dos Empregados Bancários) which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in "Acordo Colectivo de Trabalho".

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related with pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the "Instrumento de Regulação Colectiva de Trabalho (IRCT)" of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions Funds.

The calculation is made using the projected unit credit method and following actuarial and financial assumptions in line with the parameters required by IAS 19. In accordance with no. 2 of Regulation no. 4/2005 from the Bank of Portugal was established a deferral period for the transition impact to IAS 19 as at 1 January 2005 analysed as follows:

Balances	Deferral period
Obligations with healthcare benefits and other liabilities	10 years
Liabilities for death before retirement	8 years
Early retirement	8 years
Actuarial losses charged-off related with early retirement	8 years
Increase of deferred actuarial losses	8 years
Reversal of amortization of actuarial losses in accordance with local GAAP	8 years

In accordance with Regulation no. 7/2008 from the Bank of Portugal concerning the balances listed in the table above, an additional period of three years was authorised considering the initially defined deferral period.

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.

The Bank's net obligation in respect of defined benefit pension plans 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 Bank's obligations. The net obligations are determined after the deduction of the fair value of the Pension Plan's assets.

The income/cost of interests with the pension plan is calculated, by the 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) 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 65.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by 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.

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 2015, the Bank has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, Bank'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 Bank and employees.

Share based compensation plan

As at 31 December 2015 there are no share based compensation plans in force.

Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed.

This variable remuneration is charged to income statement in the year 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 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 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.

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 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.

Taking into consideration that the individual financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present individual information regarding Segmental Reporting.

y) 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 an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (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 not 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.

z) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. 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 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, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance intermediation, the Bank receives commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements/protocols established between the Bank and the Insurance Companies.

Commissions received by insurance intermediation are recognised in accordance with the principle of accrual, 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 require the Executive Committee and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Bank's reported results would differ if a different treatment was chosen. The Executive Committee believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of financial assets available for sale

The Bank determines that financial assets available for sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. 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 the income statement of the Bank.

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 in the income statement 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, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of the Bank.

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 values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments
The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact on the income statement of the Bank.

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.

Entities included in the consolidation perimeter
For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity (*de facto* control).

The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in net income.

Income taxes
Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Committee considers that there is no relevant material effect at the level of the financial statements.

Pension and other employees' benefits
Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

2. NET INTEREST INCOME AND NET GAINS ARISING FROM TRADING AND HEDGING ACTIVITIES, FROM FINANCIAL ASSETS AVAILABLE FOR SALE AND FROM FINANCIAL ASSETS HELD TO MATURITY

IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, as presented in notes 3, 6, 7 and 8. A particular business activity can generate impact in net interest income and net gains arising from trading and hedging, from financial assets available for sale and from financial assets held to maturity. 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:

(Thousands of Euros)

	2015	2014
Net interest income	**664,064**	425,040
Net gains/(losses) from trading and hedging activities	**108,024**	(61,698)
Net gains/(losses) from available for sale activities	**324,679**	357,096
Net gains/(losses) from financial assets held to maturity	**-**	(14,492)
	1,096,767	705,946

3. NET INTEREST INCOME

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
INTEREST AND SIMILAR INCOME		
Interest on loans and advances	**1,100,919**	1,229,727
Interest on trading securities	**7,419**	15,637
Interest on other financial assets valued at fair value through profit and loss account	**6,061**	-
Interest on available for sale financial assets	**112,650**	237,978
Interest on held to maturity financial assets	**29,929**	115,990
Interest on hedging derivatives	**21,872**	34,726
Interest on derivatives associated to financial instruments at fair value through profit and loss account	**15,275**	29,846
Interest on deposits and other investments	**11,058**	302,923
	1,305,183	1,966,827
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on deposits and other resources	**326,910**	674,088
Interest on securities issued	**178,295**	582,941
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	**65,352**	180,027
Others	**48,431**	82,944
Interest on hedging derivatives	**4,345**	7,713
Interest on derivatives associated to financial instruments at fair value through profit and loss account	**17,786**	14,074
	641,119	1,541,787
	664,064	425,040

The balance Interest on loans and advances includes the amount of Euros 50,453,000 (2014: Euros 52,881,000) related to commissions and other gains/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 153,910,000 (2014: Euros 199,786,000) related with interest income arising from customers with signs of impairment.

The balance Interest on securities issued includes the amount of Euros 87,572,000 (2014: Euros 154,175,000) 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).

4. DIVIDENDS FROM EQUITY INSTRUMENTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Dividends from financial assets available for sale	**9,047**	2,313
Dividends from subsidiaries and associated companies	**145,767**	372,112
	154,814	374,425

The balance Dividends from financial assets available for sale includes, in 2015, dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries and associated companies includes, in 2015, the amount of Euros 136,246,000 related to the distribution of dividends from the company BCP Investment B.V.

The balance Dividends from subsidiaries and associated companies also included in 2014 the amount of Euros 322,417,000 related to the distribution of dividends from the company Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.

5. NET FEES AND COMMISSIONS INCOME

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
FEES AND COMMISSIONS RECEIVED		
From guarantees	**58,718**	60,894
From credit and commitments	**2,938**	1,909
From banking services	**278,808**	285,342
From securities operations	**58,684**	64,232
From management and maintenance of accounts	**84,247**	76,470
From other services	**27,278**	33,838
	510,673	522,685
FEES AND COMMISSIONS PAID		
From guarantees	**6,385**	4,422
From banking services	**51,656**	59,096
From securities operations	**7,700**	8,131
From other services	**16,301**	9,919
	82,042	81,568
	428,631	441,117

The balance Fees and commissions received – From banking services includes the amount of Euros 74,881,000 (2014: Euros 72,474,000) related to insurance mediation commissions.

6. NET GAINS/(LOSSES) ARISING FROM TRADING AND HEDGING ACTIVITIES

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
GAINS ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**399,330**	269,804
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**664**	34,742
Variable income	**21**	3
Certificates and structured securities issued	**53,908**	71,834
Derivatives associated to financial instruments at fair value through profit and loss account	**50,192**	56,581
Other financial instruments derivatives	**596,042**	548,240
Other financial instruments at fair value through profit and loss account		
Securities portfolio		
Fixed income	**29**	-
Other financial instruments	**8,351**	14,142
Repurchase of own issues	**40,826**	39,157
Hedging accounting		
Hedging derivatives	**84,441**	74,446
Hedged item	**19,837**	25,091
Other activity	**103,738**	34,660
	1,357,379	1,168,700
LOSSES ARISING ON TRADING AND HEDGING ACTIVITIES		
Foreign exchange activity	**402,085**	256,095
Transactions with financial instruments recognised at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**4,887**	50
Variable income	**799**	959
Certificates and structured securities issued	**57,648**	69,039
Derivatives associated to financial instruments at fair value through profit and loss account	**53,467**	66,489
Other financial instruments derivatives	**606,487**	606,561
Other financial instruments at fair value through profit and loss account		
Securities portfolio		
Fixed income	**734**	-
Other financial instruments	**4,652**	14,515
Repurchase of own issues	**3,755**	1,726
Hedging accounting		
Hedging derivatives	**99,730**	44,513
Hedged item	**7,032**	47,229
Other activity	**8,079**	123,222
	1,249,355	1,230,398
	108,024	(61,698)

As mentioned in note 44, the approval of the exchange offer of subordinated securities for shares originated, in 2015, a gain of Euros 34,420,000 in Net gains/(losses) arising from trading and hedging activities – Repurchase of own issues.

The result of repurchase of own issues is determined in accordance with the accounting policy described in note 1 c).

The caption Net gains arising from trading and hedging activities includes, in 2015, for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 1,302,000 (2014: loss of Euros 4,642,000) related with the fair value changes arising from changes in own credit risk (spread), as referred in note 32.

This caption also includes in 2015, for Debt securities at fair value through profit or loss, a loss of Euros 6,342,000 (2014: gain of Euros 644,000) and for derivatives associated to financial instruments a loss of Euros 8,491,000 (2014: loss of Euros 11,376,000), related with the fair value changes arising from changes in own credit risk (spread), as referred in note 33.

7. NET GAINS/(LOSSES) ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
GAINS ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**354,604**	354,568
Variable income	**12,328**	2,767
LOSSES ARISING FROM FINANCIAL ASSETS AVAILABLE FOR SALE		
Fixed income	**(41,573)**	(234)
Variable income	**(680)**	(5)
	324,679	357,096

The caption Gains arising from financial assets available for sale – Fixed income – includes, in 2015, the amount of Euros 345,811,000 (2014: Euros 234,084,000) related to gains resulting from the sale of Portuguese public debt.

As mentioned in note 22 and in accordance with the accounting policy 1 e), during 2015 were transferred to the portfolio of financial assets available for sale Euros 1,742,354,000, the whole Portuguese public debt portfolio previously recorded in the portfolio financial assets held to maturity in order to arrange for its disposal.

8. NET GAINS/(LOSSES) ARISING FROM FINANCIAL ASSETS HELD TO MATURITY

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Losses arising from financial assets held to maturity	**-**	(14.492)

9. OTHER OPERATING INCOME (COSTS)

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
OPERATING INCOME		
Income from services	**31,758**	30,819
Cheques and others	**11,492**	11,316
Other operating income	**17,717**	19,932
	60,967	62,067
OPERATING COSTS		
Indirect taxes	**9,651**	9,462
Donations and contributions	**2,996**	2,972
Contribution over the banking sector	**22,053**	31,622
Contribution for the resolution fund	**5,777**	6,911
Contribution for the single resolution fund	**30,843**	-
Other operating expenses	**16,142**	23,956
	87,462	74,923
	(26,495)	(12,856)

The caption 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) the off-balance notional amount of derivatives.

The item Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund by the member credit institutions, 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 item Contribution for the Single Resolution Fund corresponds to the annual contribution collected in 2015 by the Resolution Fund, in accordance with the article 153-H (1) of the Legal Framework of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF"), which translated the articles 100 (4) (a) and 103 (1) of the Directive 2015/59/EU of the European Parliament and of the Council of 15 May 2014, and of article (20) of the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 (Delegated Regulation). This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in the Delegated Regulation in accordance with its articles 4, 13 and 20. In the scope of the Single Resolution Mechanism this contribution will be transferred to the Single Resolution Fund up to 31 January 2016, as stipulated in article 3 (3) of the Agreement for the transfer of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014.

10. STAFF COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Salaries and remunerations	**260,472**	288,568
Mandatory social security charges		
Pension Fund and other benefits		
Service cost	**(1,918)**	(4,353)
Net interest cost/(income) in the liability coverage balance	**5,706**	3,116
	3,788	(1,237)
Other mandatory social security charges	**74,650**	81,645
	78,438	80,408
Voluntary social security charges	**22,372**	28,086
Seniority premium	**2,208**	3,731
Other staff costs	**1,700**	240
	365,190	401,033

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	
	2015	2014	**2015**	2014	**2015**	2014
Remunerations	**2,073**	2,080	**578**	577	**5,394**	7,757
Supplementary retirement pension	**1,205**	702	**-**	-	**-**	-
Pension Fund	**19**	25	**-**	-	**61**	43
Other mandatory social security charges	**531**	468	**137**	152	**1,479**	1,918
Seniority premium	**44**	-	**-**	-	**143**	181
	3,872	3,275	**715**	729	**7,077**	9,899

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank and set by the Remunerations Commission.

During 2015, the amount of remuneration paid to the Executive Committee, includes Euros 103,000 (2014: Euros 101,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, and has been regularised at the beginning of 2016, the amount of Euros 63,000, as mentioned in paragraph 77 of the "Corporate Governance Report".

During 2015 and 2014, no variable remuneration was attributed to the members of the Executive Committee.

During 2015, were paid Euros 4,729,000 (2014: Euros 929,000) of severance pay to some key management members.

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	2015	2014
Top management	**1,006**	1,117
Intermediary management	**1,685**	1,768
Specific/Technical functions	**2,868**	3,103
Other functions	**1,866**	2,121
	7,425	8,109

11. OTHER ADMINISTRATIVE COSTS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Water, electricity and fuel	**11,565**	12,510
Consumables	**2,848**	3,136
Rents	**31,690**	39,245
Communications	**14,848**	15,885
Travel, hotel and representation costs	**4,538**	4,457
Advertising	**11,476**	10,302
Maintenance and related services	**11,825**	16,205
Credit cards and mortgage	**1,941**	1,651
Advisory services	**10,247**	10,433
Information technology services	**12,361**	13,414
Outsourcing	**97,304**	99,267
Other specialised services	**14,933**	15,154
Training costs	**1,010**	814
Insurance	**3,541**	3,633
Legal expenses	**5,614**	6,228
Transportation	**6,753**	6,642
Other supplies and services	**8,528**	9,327
	251,022	268,303

The caption Rents includes the amount of Euros 28,783,000 (2014: Euros 35,847,000) related to rents paid regarding buildings used by the Bank as lessee.

The Bank has various operating leases for properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

(Thousands of Euros)

	2015			2014		
	Properties	**Vehicles**	**Total**	Properties	Vehicles	Total
Until 1 year	**18,289**	**1,258**	**19,547**	22,140	1,835	23,975
1 to 5 years	**6,420**	**915**	**7,335**	5,837	1,557	7,394
Over 5 years	**6,536**	**18**	**6,554**	6,376	7	6,383
	31,245	**2,191**	**33,436**	34,353	3,399	37,752

The caption Other specialised services includes the fees billed (VAT excluded) by the Bank's Statutory Auditor within its statutory functions, as well as other functions, are as follows:

	2015	2014
Legal certification	**1,600**	1,689
Other assurance services	**1,068**	874
Other services	**684**	527
	3,352	3,090

12. DEPRECIATION

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
INTANGIBLE ASSETS:		
Software	**5,829**	6,031
Other intangible assets	**31**	28
	5,860	6,059
PROPERTY, PLANT AND EQUIPMENT:		
Land and buildings	**10,392**	12,307
Equipment		
Furniture	**904**	877
Machinery	**138**	134
Computer equipment	**3,257**	3,081
Interior installations	**772**	743
Motor vehicles	**1,462**	721
Security equipment	**1,058**	1,087
Other equipment	**21**	22
	18,004	18,972
	23,864	25,031

13. LOANS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
LOANS AND ADVANCES TO CREDIT INSTITUTIONS:		
For country risk		
Impairment charge for the year	**7,766**	5,667
	7,766	5,667
LOANS AND ADVANCES TO CUSTOMERS:		
For overdue loans and credit risks		
Impairment charge for the year	**544,866**	1,164,886
Write-back for the year	**(12,321)**	-
For country risk		
Impairment charge for the year	**-**	262
Write-back for the year	**(360)**	-
Recovery of loans and interest charged-off	**(25,666)**	(12,449)
	506,519	1,152,699
	514,285	1,158,366

In accordance with the accounting policy presented in note 1 a), the Bank applies in its financial statements the NCA's, and therefore the balance Loans impairment accounts the estimate of the incurred losses at the end of the year in accordance with the provision law defined by the rules of the Bank of Portugal, as described in the accounting policy presented in note 1 b).

14. OTHER FINANCIAL ASSETS IMPAIRMENT

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE		
Charge for the year	**96,532**	137,014
Write-back for the year	**(15)**	(2,028)
	96,517	134,986

The caption 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 61,494,000 (2014: Euros 123,919,000), related to the investments held in restructuring funds, as described in note 53.

15. OTHER PROVISIONS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
PROVISION FOR CREDIT RISKS		
Charge for the year	**37,451**	161,779
Write-back for the year	**(9,670)**	(3,272)
PROVISION FOR COUNTRY RISK		
Charge for the year	**779**	1,753
OTHER PROVISIONS FOR LIABILITIES AND CHARGES		
Charge for the year	**29,322**	42,935
Write-back for the year	**-**	(17)
	57,882	203,178

16. GAINS/(LOSSES) ARISING FROM THE SALE OF SUBSIDIARIES AND OTHER ASSETS

The amount of this account is comprised of:

(Thousands of Euros)

	2015	2014
Sale of subsidiaries	**98,258**	242,147
Sale of other assets	**3,679**	(16,100)
	101,937	226,047

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 subsidiaries corresponded in 2014 to the gain generated on the sale of the investment held by the Bank in Banco Millennium Angola to BCP África, S.G.P.S., 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.

17. EARNINGS PER SHARE

The earnings per share are calculated as follows:

(Thousands of Euros)

	2015	2014
NET INCOME/(LOSS) FOR THE YEAR	**226,057**	(684,424)
Adjusted net income/(loss)	**226,057**	(684,424)
Average number of shares	**56,888,944,247**	42,829,744,183
Basic earnings per share (Euros)	**0.004**	(0.016)
Diluted earnings per share (Euros)	**0.004**	(0.016)

The Bank's share capital, amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominate shares, without nominal value, which is fully paid.

On June 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.

On July 2014, the Bank registered a share capital increase from Euros 1,465,000,000 to Euros 3,706,690,253.08 through the issuance of new 34,487,542,355 ordinary, book-entry and nominate shares, without nominal value, which were offered to the Bank's Shareholders for subscription through the exercise of their pre-emptive subscription rights. In June 2014, the Bank had registered a decrease of the share capital from Euros 3,500,000,000 to Euros 1,465,000,000 without changing the number of existing shares without nominal value.

As at 31 December 2015 and 2014 in the calculation of diluted earnings per share, the qualifying hybrid instruments as common equity tier 1 issued in June 2012 and subscribed fully by the State (CoCos), were not considered, in 2014, by presenting an antidilutive effect and in 2015 it is not defined the conversion value of the shares to be issued according to the decree 150-A / 2012 of 17 May which will be the basis for determining this effect.

18. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Cash	**350,155**	315,807
Central Banks	**189,745**	217,030
	539,900	532,837

The balance Central Banks includes deposits with the Central Bank to satisfy the legal requirements to maintain a cash calculated based on the value of deposits and other 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.

19. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Credit institutions in Portugal	**483**	376
Credit institutions abroad	**42,114**	31,135
Amounts due for collection	**95,558**	192,426
	138,155	223,937

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

20. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Other loans and advances to credit institutions in Portugal	**89,374**	143,364
Other loans and advances to credit institutions abroad	**702,233**	1,142.094
	791,607	1,285,458
Impairment for other loans and advances to credit institutions	**(24,233)**	(16,467)
	767,374	1,268,991

As at 31 December, 2015, the balance Other loans and advances to credit institutions abroad includes the amount of Euros 105,067,000 (31 December 2014: Euros 30,537,000) regarding loans and advances to companies controlled by members of the Board of Directors, as mentioned in note 47 b).

Following the signed agreements of derivative financial transactions with institutional counterparties, the Bank has the amount of Euros 325,020,000 (31 December 2014: Euros 351,075,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	2015	2014
Up to 3 months	**651,669**	973,780
3 to 6 months	**4,988**	-
6 to 12 months	**24,032**	40,000
1 to 5 years	**95,672**	236,678
Over 5 years	**15,246**	35,000
	791,607	1,285,458

The changes occurred in impairment for other loans and advances to credit institutions are analysed as follows:

(Thousands of Euros)

	2015	2014
PROVISION FOR COUNTRY RISK FOR LOANS AND ADVANCES TO CREDIT INSTITUTIONS:		
Balance on 1 January	**16,467**	10,800
Impairment charge for the year	**7,766**	5,667
Balance on 31 December	**24,233**	16,467

The balance Provision for country risk for loans and advances to credit institutions, includes as of 31 December 2015, the amount of Euros 23,022,000 (31 December 2014: Euros 15,888,000) regarding provisions to loans granted to resident entities in Angola.

21. LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Public sector	**1,064,563**	1,177,440
Asset-backed loans	**20,860,262**	20,315,611
Personal guaranteed loans	**7,053,471**	8,718,681
Unsecured loans	**1,341,911**	1,448,117
Foreign loans	**2,181,609**	2,507,121
Factoring	**1,062,903**	1,069,188
Finance leases	**2,179,201**	2,215,806
	35,743,920	37,451,964
Overdue loans – less than 90 days	**54,604**	78,164
Overdue loans – Over 90 days	**3,741,966**	3,817,540
	39,540,490	41,347,668
Impairment for credit risk	**(4,434,699)**	(4,586,737)
	35,105,791	36,760,931

As at 31 December 2015, the balance Loans and advances to customers includes the amount of Euros 11,678,762,000 (31 December 2014: Euros 11,903,237,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Bank.

In accordance with accounting policy described in note 1 b), the Bank only writes-off overdue loans fully provided which, after an economic analysis, are considered uncollectable on the basis that there are no perspectives of recovery.

As referred in note 48, 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 2015 and as referred in note 53, the Bank performed a set of sales of loans and advances to customers for Specialized Loan Funds in the amount of Euros 1,534,604,000 (31 December 2014: Euros: 1,443,739,000). During 2015, the loans sold amounted to Euros 90,865,000 (2014: Euros 336,130,000).

As at 31 December 2015, Shareholders holding individually or together with their affiliates, 2% or more of the share capital, described in the Executive Board of Directors report and in note 38, and to which the Group provides loans and/or guarantees represents in aggregate 20.55% of the share capital (31 December 2014: 32.2%).

As at 31 December 2015, the Bank granted credit to qualifying Shareholders and entities controlled by them, in the amount of Euros 63,536,000 (31 December 2014: Euros 70,465,000), as referred in note 47 a). The business conducted between the company and qualifying Shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee. The amount of provisions recognised for these contracts is null as at 31 December 2015 and 2014.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
LOANS NOT REPRESENTED BY SECURITIES		
Discounted bills	**260,281**	298,508
Current account credits	**1,793,438**	2,152,942
Overdrafts	**771,183**	870,093
Loans	**11,079,974**	11,430,258
Mortgage loans	**16,627,514**	17,355,967
Factoring	**1,062,903**	1,069,188
Finance leases	**2,179,201**	2,215,806
	33,774,494	35,392,762
LOANS REPRESENTED BY SECURITIES		
Commercial paper	**1,655,569**	1,729,210
Bonds	**313,857**	329,992
	1,969,426	2,059,202
	35,743,920	37,451,964
Overdue loans – less than 90 days	**54,604**	78,164
Overdue loans – Over 90 days	**3,741,966**	3,817,540
	39,540,490	41,347,668
Impairment for credit risk	**(4,434,699)**	(4,586,737)
	35,105,791	36,760,931

The analysis of loans and advances to customers, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**325,591**	326,079
Mining	**47,343**	53,032
Food, beverage and tobacco	**325,685**	340,033
Textiles	**451,880**	472,372
Wood and cork	**161,823**	143,715
Paper, printing and publishing	**172,016**	168,303
Chemicals	**587,427**	492,891
Machinery, equipment and basic metallurgical	**596,311**	601,199
Electricity, water and gas	**802,446**	938,691
Construction	**2,997,461**	3,235,060
Retail business	**915,468**	894,893
Wholesale business	**1,218,655**	1,204,966
Restaurants and hotels	**944,628**	1,151,819
Transports and communications	**1,483,423**	1,337,261
Services	**8,986,792**	9,803,778
Consumer credit	**2,376,755**	2,473,252
Mortgage credit	**16,358,710**	16,867,617
Other domestic activities	**7,731**	7,864
Other international activities	**780,345**	834,843
	39,540,490	41,347,668
Impairment for credit risk	**(4,434,699)**	(4,586,737)
	35,105,791	36,760,931

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)

	2015				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	113,137	75,609	113,827	23,018	325,591
Mining	23,441	8,233	5,309	10,360	47,343
Food, beverage and tobacco	182,998	69,379	59,605	13,703	325,685
Textiles	215,814	89,328	114,433	32,305	451,880
Wood and cork	66,761	33,332	43,466	18,264	161,823
Paper, printing and publishing	50,967	62,010	49,009	10,030	172,016
Chemicals	302,443	115,119	100,854	69,011	587,427
Machinery, equipment and basic metallurgical	231,151	187,947	125,738	51,475	596,311
Electricity, water and gas	91,245	145,074	562,108	4,019	802,446
Construction	983,534	284,991	712,827	1,016,109	2,997,461
Retail business	344,695	208,242	219,382	143,149	915,468
Wholesale business	516,119	312,637	216,288	173,611	1,218,655
Restaurants and hotels	103,159	182,398	535,097	123,974	944,628
Transports and communications	361,973	284,214	529,109	308,127	1,483,423
Services	2,784,614	2,126,577	2,961,027	1,114,574	8,986,792
Consumer credit	530,783	768,725	585,462	491,785	2,376,755
Mortgage credit	7,617	169,664	16,003,810	177,619	16,358,710
Other domestic activities	9	10	3	7,709	7,731
Other international activities	210,085	169,038	393,494	7,728	780,345
	7,120,545	5,292,527	23,330,848	3,796,570	39,540,490

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)

	2015				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	1,064,563	-	-	-	1,064,563
Asset-backed loans	1,759,732	3,284,555	15,815,975	2,088,172	22,948,434
Personal guaranteed loans	1,164,497	1,311,340	4,577,634	408,508	7,461,979
Unsecured loans	1,341,911	-	-	1,098,112	2,440,023
Foreign loans	706,961	289,367	1,185,281	58,931	2,240,540
Factoring	1,062,903	-	-	16,344	1,079,247
Finance leases	19,978	407,265	1,751,958	126,503	2,305,704
	7,120,545	5,292,527	23,330,848	3,796,570	39,540,490

The analysis of loans and advances to customers, by maturity and by sector of activity, as at 31 December, 2014 is as follows:

(Thousands of Euros)

	2014				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	136,042	64,498	104,735	20,804	326,079
Mining	30,826	7,936	5,523	8,747	53,032
Food, beverage and tobacco	194,654	66,968	61,612	16,799	340,033
Textiles	235,840	91,342	106,888	38,302	472,372
Wood and cork	56,511	31,935	20,778	34,491	143,715
Paper, printing and publishing	44,181	61,899	48,008	14,215	168,303
Chemicals	188,182	131,640	114,081	58,988	492,891
Machinery, equipment and basic metallurgical	226,617	156,427	160,587	57,568	601,199
Electricity, water and gas	135,264	198,463	589,770	15,194	938,691
Construction	1,132,155	466,535	704,207	932,163	3,235,060
Retail business	308,084	212,716	206,696	167,397	894,893
Wholesale business	519,547	302,887	202,181	180,351	1,204,966
Restaurants and hotels	148,531	176,849	560,669	265,770	1,151,819
Transports and communications	310,524	332,737	580,529	113,471	1,337,261
Services	3,803,680	2,142,431	2,647,628	1,210,039	9,803,778
Consumer credit	553,425	817,343	529,231	573,253	2,473,252
Mortgage credit	9,437	160,963	16,535,620	161,597	16,867,617
Other domestic activities	104	229	288	7,243	7,864
Other international activities	197,777	253,261	364,493	19,312	834,843
	8,231,381	5,677,059	23,543,524	3,895,704	41,347,668

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December, 2014, is as follows:

(Thousands of Euros)

	2014				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	1,177,440	-	-	-	1,177,440
Asset-backed loans	272,273	3,519,762	16,523,576	1,922,798	22,238,409
Personal guaranteed loans	3,240,405	1,398,568	4,079,708	698,353	9,417,034
Unsecured loans	1,448,117	-	-	981,459	2,429,576
Foreign loans	1,007,050	347,366	1,152,705	91,433	2,598,554
Factoring	1,069,188	-	-	23,044	1,092,232
Finance leases	16,908	411,363	1,787,535	178,617	2,394,423
	8,231,381	5,677,059	23,543,524	3,895,704	41,347,668

As at 31 December 2015, the securitization operations are detailed as follows:

Caravela SME No.3
The synthetic securitization "Caravela SME No.3" amounts to Euros 2,417,154,000.

Caravela SME No.4
The synthetic securitization "Caravela SME No.4" amounts to Euros 1,060,382,000.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of Euros)

	2015	2014
Gross amount	**2,532,397**	2,613,060
Interest not yet due	**(353,196)**	(397,254)
Net book value	**2,179,201**	2,215,806

The analysis of the financial lease contracts by type of client, is presented as follows:

(Thousands of Euros)

	2015	2014
INDIVIDUALS		
Home	**61,458**	65,144
Consumer	**19,122**	20,996
Others	**127,790**	143,737
	208,370	229,877
COMPANIES		
Equipment	**261,355**	247,231
Mortgage	**1,709.476**	1,738,698
	1,970,831	1,985,929
	2,179,201	2,215,806

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 restructured loans, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**1,283**	1,674
Mining	**19**	35
Food, beverage and tobacco	**81**	164
Textiles	**222**	194
Wood and cork	**10,079**	304
Paper, printing and publishing	**94**	10
Chemicals	**245**	101
Machinery, equipment and basic metallurgical	**-**	304
Construction	**3,451**	5,204
Retail business	**924**	1,014
Wholesale business	**19,493**	19,577
Restaurants and hotels	**571**	678
Transports and communications	**481**	354
Services	**6,415**	2,917
Consumer credit	**40,562**	24,577
Other domestic activities	**26**	9
Other international activities	**126**	135
	84,072	57,251

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 39,582,000 (31 December 2014: Euros 22,523,000).

The analysis of overdue loans, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**23,018**	20,804
Mining	**10,360**	8,747
Food, beverage and tobacco	**13,703**	16,799
Textiles	**32,305**	38,302
Wood and cork	**18,264**	34,491
Paper, printing and publishing	**10,030**	14,215
Chemicals	**69,011**	58,988
Machinery, equipment and basic metallurgical	**51,475**	57,568
Electricity, water and gas	**4,019**	15,194
Construction	**1,016,109**	932,163
Retail business	**143,149**	167,397
Wholesale business	**173,611**	180,351
Restaurants and hotels	**123,974**	265,770
Transports and communications	**308,127**	113,471
Services	**1,114,574**	1,210,039
Consumer credit	**491,785**	573,253
Mortgage credit	**177,619**	161,597
Other domestic activities	**7,709**	7,243
Other international activities	**7,728**	19,312
	3,796,570	3,895,704

The analysis of overdue loans, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Asset-backed loans	**2,088,172**	1,922,798
Personal guaranteed loans	**408,508**	698,353
Unsecured loans	**1,098,112**	981,459
Foreign loans	**58,931**	91,433
Factoring	**16,344**	23,044
Finance leases	**126,503**	178,617
	3,796,570	3,895,704

The changes occurred in impairment for credit risk are analysed as follows:

(Thousands of Euros)

	2015	2014
IMPAIRMENT FOR OVERDUE LOANS AND FOR OTHER CREDIT RISKS:		
Balance on 1 January	**4,583,265**	4,211,907
Transfers	**71,822**	(157,170)
Impairment charge for the year	**544,866**	1,164,886
Write-back for the year	**(12,321)**	-
Loans charged-off	**(754,352)**	(636,358)
Balance on 31 December	**4,433,280**	4,583,265
IMPAIRMENT FOR COUNTRY RISK:		
Balance on 1 January	**3,472**	3,210
Transfers	**(1,693)**	-
Impairment charge for the year	**-**	262
Write-back for the year	**(360)**	-
Balance on 31 December	**1,419**	3,472
	4,434,699	4,586,737

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 balance Impairment for overdue loans and for other credit risks includes, as at 31 December 2015, the amount of Euros 1,419,000 (31 December 2014: Euros 3,472,000) regarding impairments to loans granted to resident entities in countries which are subject to country risk according with Instruction of the Bank of Portugal.

The analysis of impairment, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**23,894**	23,706
Mining	**12,002**	9,562
Food, beverage and tobacco	**14,862**	19,175
Textiles	**34,969**	41,443
Wood and cork	**30,739**	40,047
Paper, printing and publishing	**11,846**	13,753
Chemicals	**94,302**	69,365
Machinery, equipment and basic metallurgical	**51,156**	57,733
Electricity, water and gas	**46,231**	37,433
Construction	**1,003,523**	900,812
Retail business	**153,865**	174,747
Wholesale business	**181,531**	196,144
Restaurants and hotels	**198,748**	300,753
Transports and communications	**314,499**	76,013
Services	**918,413**	1,127,334
Consumer credit	**531,497**	716,999
Mortgage credit	**760,359**	716,984
Other domestic activities	**43,082**	47,631
Other international activities	**9,181**	17,103
	4,434,699	4,586,737

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousands of Euros)

	2015	2014
Asset-backed loans	**2,385,894**	2,319,285
Personal guaranteed loans	**436,428**	747,371
Unsecured loans	**1,297,490**	1,134,208
Foreign loans	**121,884**	154,063
Factoring	**15,886**	21,314
Finance leases	**177,117**	210,496
	4,434,699	4,586,737

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**2,964**	475
Mining	**270**	239
Food, beverage and tobacco	**3,770**	6,837
Textiles	**10,325**	12,299
Wood and cork	**9,433**	10,020
Paper, printing and publishing	**5,692**	23,426
Chemicals	**3,723**	46,738
Machinery, equipment and basic metallurgical	**7,109**	10,058
Electricity, water and gas	**290**	157
Construction	**95,753**	187,181
Retail business	**29,946**	46,579
Wholesale business	**43,531**	47,209
Restaurants and hotels	**35,822**	13,468
Transports and communications	**10,291**	8,251
Services	**369,409**	145,178
Consumer credit	**112,259**	77,320
Mortgage credit	**114**	6
Other domestic activities	**10,467**	755
Other international activities	**3,184**	162
	754,352	636,358

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, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Asset-backed loans	**65,169**	41,373
Personal guaranteed loans	**21,053**	31,764
Unsecured loans	**647,396**	500,062
Foreign loans	**19,858**	61,548
Finance leases	**876**	1,611
	754,352	636,358

The analysis of recovered loans and interest, during 2015 and 2014, by sector of activity, is as follows:

(Thousands of Euros)

	2015	2014
Agriculture	**83**	76
Mining	**1**	80
Food, beverage and tobacco	**269**	141
Textiles	**486**	248
Wood and cork	**270**	203
Paper, printing and publishing	**8**	197
Chemicals	**315**	243
Machinery, equipment and basic metallurgical	**470**	1,102
Electricity, water and gas	**6**	-
Construction	**17,210**	1,504
Retail business	**423**	689
Wholesale business	**875**	1.053
Restaurants and hotels	**67**	241
Transports and communications	**110**	238
Services	**1,569**	2,597
Consumer credit	**3,328**	3,648
Mortgage credit	**8**	-
Other domestic activities	**168**	189
	25,666	12,449

The analysis of recovered loans and interest during 2015 and 2014, by type of credit, is as follows:

(Thousands of Euros)

	2015	2014
Unsecured loans	**25,555**	12,277
Foreign loans	**68**	119
Finance leases	**43**	53
	25,666	12,449

22. 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)

	2015	2014
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by public entities	**3,294,591**	2,405,462
Issued by other entities	**1,553,649**	1,297,071
	4,848,240	3,702,533
Overdue securities	**4,075**	4,077
Impairment for overdue securities	**(4,075)**	(4,077)
	4,848,240	3,702,533
Shares and other variable income securities	**2,229,490**	2,181,064
	7,077,730	5,883,597
Trading derivatives	**846,752**	968,560
	7,924,482	6,852,157

The balance Trading derivatives included, as at 31 December 2015, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 c) in the amount of Euros 46,000 (31 December 2014: null amount Euros).

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			
	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
Level 1	218,347	152,018	4,271,090	4,641,455
Level 2	602,465	-	184,727	787,192
Level 3	178,846	-	2,253,838	2,432,684
Financial assets at cost	-	-	63,151	63,151

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 2014, is analysed as follows:

(Thousands of Euros)

	2014			
	Trading	Other financial assets at fair value through profit or loss	Available for sale	Total
FIXED INCOME:				
Bonds issued by public entities				
Portuguese issuers	193,972	-	1,316,544	1,510,516
Foreign issuers	73,379	-	6,621	80,000
Bonds issued by other entities				
Portuguese issuers	1,072	-	884,739	885,811
Foreign issuers	97,919	-	317,418	415,337
Treasury bills and other Government bonds	-	-	814,946	814,946
	366,342	-	3,340,268	3,706,610
Impairment for overdue securities	-	-	(4,077)	(4,077)
	366,342	-	3,336,191	3,702,533
VARIABLE INCOME:				
Shares in Portuguese companies	332	-	83,634	83,966
Shares in foreign companies	9	-	462	471
Investment fund units	20	-	2,095,584	2,095,604
Other securities	1,023	-	-	1,023
	1,384	-	2,179,680	2,181,064
TRADING DERIVATIVES	968,560	-	-	968,560
	1,336,286	-	5,515,871	6,852,157
Level 1	439,791	-	3,100,089	3,539,880
Level 2	896,495	-	208,710	1,105,205
Level 3	-	-	2,127,157	2,127,157
Financial assets at cost	-	-	79,915	79,915

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

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 for against fair value reserves. As at 31 December 2015, the amount of fair value reserves of Euros 85,340,000 (31 December 2014: Euros 160,078,000) is presented net of impairment losses in the amount of Euros 452,898,000 (31 December 2014: Euros 379,443,000).

As referred in the accounting policy note 1 e) the Bank performed reclassifications of Financial instruments, during the first semester of 2010.

For instruments classified within level 3, according to note 7, during 2015 were recorded in Gains arising from financial assets available for sale the amount of Euros 5,834,000 (31 December 2014: Euros: 935,000). As at 31 December of 2015 were not recorded in Losses arising from financial assets available for sale any amount (31 December 2014: Euros: 1,000).

During 2015, in accordance with the accounting policy 1 e), the Bank reclassified Government bonds, from the portfolio of financial assets held to maturity to the portfolio of financial assets available for sale, in the amount of Euros 1,742,354,000, whose market value, at the date of the transfer, was Euros 2,024,570,000. The decision comes as part of the process of strengthening the Group's capital ratios, according to the strategy set by the Board of Directors to meet the challenges posed by the prudential determinations of the ECB and implied the reclassification on the date of decision, of all the securities portfolio of public debt recorded at the portfolio of securities held to maturity. Under the scope of IAS 39, considering its characteristics and the applicable framework (IAS 39 AG22 point e)), this situation did not imply the tainting of the remaining held to maturity portfolio. During 2015, and as mentioned in note 7, part of these securities were sold.

As mentioned in note 53, the balance Variable income - investment fund units includes the amount of Euros 1,352,163,000 (31 December 2014: Euros 1,267,071,000) related to participation units of funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 35,441,000 (31 December 2014: Euros 35,441,000) refers to junior tranches (bonds with a more subordinated nature), which are fully provided. The instruments are valued according to the quotations published by Funds Management Companies.

The portfolio of financial assets available for sale, as at 31 December 2015, is analysed as follows:

(Thousands 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	2,265,367	-	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 available for sale, as at 31 December 2014, is analysed as follows:

(Thousands of Euros)

	2014					
	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	1,282,622	-	1,282,622	20,978	12,944	1,316,544
Foreign issuers	6,440	-	6,440	181	-	6,621
Bonds issued by other entities						
Portuguese issuers	892,563	(69,566)	822,997	57,132	533	880,662
Foreign issuers	295,705	-	295,705	21,448	265	317,418
Treasury bills and other Government bonds	815,107	-	815,107	(161)	-	814,946
	3,292,437	(69,566)	3,222,871	99,578	13,742	3,336,191
VARIABLE INCOME:						
Shares in Portuguese companies	162,310	(82,589)	79,721	3,913	-	83,634
Shares in foreign companies	243	(15)	228	234	-	462
Investment fund units	2,266,504	(227,273)	2,039,231	56,353	-	2,095,584
	2,429,057	(309,877)	2,119,180	60,500	-	2,179,680
	5,721,494	(379,443)	5,342,051	160,078	13,742	5,515,871

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				
	Level 1	Level 2	Level 3	Financial instruments at cost	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	71,866	4,076	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	100,960	20,927	4,852,315
Impairment for overdue securities	-	-	-	(4,075)	(4,075)
	4,545,928	184,500	100,960	16,852	4,848,240
VARIABLE INCOME:					
Shares in Portuguese companies	24,204	1,147	13,548	32,506	71,405
Shares in foreign companies	-	322	18,277	26	18,625
Investment fund units	4,368	14	2,121,053	13,767	2,139,202
Other securities	258	-	-	-	258
	28,830	1,483	2,152,878	46,299	2,229,490
TRADING DERIVATIVES	66,697	601,209	178,846	-	846,752
	4,641,455	787,192	2,432,684	63,151	7,924,482

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 2014, by valuation levels, is analysed as follows:

(Thousands of Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
FIXED INCOME:					
Bonds issued by public entities					
Portuguese issuers	1,510,516	-	-	-	1,510,516
Foreign issuers	80,000	-	-	-	80,000
Bonds issued by other entities					
Portuguese issuers	679,326	196,583	5,825	4,077	885,811
Foreign issuers	363,781	20,332	31,224	-	415,337
Treasury bills and other Government bonds	814,946	-	-	-	814,946
	3,448,569	216,915	37,049	4,077	3,706,610
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	3,448,569	216,915	37,049	-	3,702,533
VARIABLE INCOME:					
Shares in Portuguese companies	4,055	982	10,623	68,306	83,966
Shares in foreign companies	9	300	-	162	471
Investment fund units	4,672	-	2,079,485	11,447	2,095,604
Other securities	1,023	-	-	-	1,023
	9,759	1,282	2,090,108	79,915	2,181,064
TRADING DERIVATIVES	81,552	887,008	-	-	968,560
	3,539,880	1,105,205	2,127,157	79,915	6,852,157

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

During 2015, reclassifications were made from level 2 to level 1 in the amount of Euros 93,716,000 (31 December 2014: Euros 79,419,000) related to securities that became complied with the requirements of this level, as described in note 45.

The instruments classified as level 3 have associated unrealized gains and losses in the positive amount of Euros 92,092,000 (31 December 2014: positive amount of Euros 38,280,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 360,952,000 as at 31 December 2015 (31 December 2014: Euros 238,781,000) and were not generated capital gains or losses in the year. Were not made transfers to and from this level.

The assets included in level 3, in the amount of Euros 2,121,053,000 (31 December 2014: Euros 2,079,485,000) corresponds to units of closed-ended investment funds valued in accordance with "Net assets attributable to unit holders" (NAV) quote determined by the management company and in accordance with the audited accounts for the respective funds. These funds have a diverse set of assets and liabilities valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 212,105,000 (31 December 2014: Euros 207,949,000) in Equity (Fair value reserves).

In addition, the assets classified as level 3 also include the value of the investment held by the Banco Comercial Português, S.A. in Visa Europe Limited in the amount of Euros 18,276,000, as a result of their valuation for the current transaction Visa International, as referred in notes 40 and 44.

The reclassifications performed in prior years until 31 December 2015, are analysed as follows:

(Thousands of Euros)

	At the reclassification date		2015		
	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
			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	2015		
	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

As at 31 December 2014, this reclassification is analysed as follows:

(Thousands of Euros)

	At the reclassification date		2014		
	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	18,213	18,213	-
Financial assets held to maturity	2,144,892	2,144,892	698,421	745,776	47,355
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	73,151	80,294	7,143
			794,160	848,658	54,498

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2014 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	826	4,411	5,237
Financial assets held to maturity	30,443	-	30,443
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:			
Loans represented by securities	436	-	436
Financial assets held to maturity	10,418	(6,709)	3,709
	42,123	(2,298)	39,825

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2014, would be as follows:

(Thousands of Euros)

	Income statement	2014		
	Fair value changes	Retained earnings	Fair value reserves	Equity
FROM FINANCIAL ASSETS HELD FOR TRADING TO:				
Financial assets available for sale	4,411	(2,798)	(1,613)	-
Financial assets held to maturity	81,930	(34,575)	-	47,355
FROM FINANCIAL ASSETS AVAILABLE FOR SALE TO:				
Financial assets held to maturity	-	-	7,143	7,143
	86,341	(37,373)	5,530	54,498

The changes occurred in impairment for financial assets available for sale are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**379,444**	323,670
Transfers	**5,640**	52,201
Charges/(Reversals) through Fair value reserves	**7,577**	(8,158)
Charge for the year	**96,517**	137,013
Write-back for the year	**-**	(2,027)
Loans charged-off	**(36,281)**	(123,255)
BALANCE ON 31 DECEMBER	**452,897**	379,444

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 sector of activity, as at 31 December 2015 is as follows:

(Thousands 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	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					2,139,202	2,139,202
Other securities					258	258
					2,229,490	2,229,490
	371,820	531,076	1,306,938	2,638,406	2,229,490	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 2014 is as follows:

(Thousands of Euros)

	2014					
	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	21	82,644	896,155	531,696	-	1,510,516
Foreign issuers	10	5,131	74,489	370	-	80,000
Bonds issued by other entities						
Portuguese issuers	7,176	86,719	511,910	275,929	4,077	885,811
Foreign issuers	1,366	20,812	70,654	322,505	-	415,337
Treasury bills and other Government bonds	36,123	778,823	-	-	-	814,946
	44,696	974,129	1,553,208	1,130,500	4,077	3,706,610
Impairment for overdue securities	-	-	-	-	(4,077)	(4,077)
	44,696	974,129	1,553,208	1,130,500	-	3,702,533
VARIABLE INCOME:						
Companies' shares						
Portuguese companies					83,966	83,966
Foreign companies					471	471
Investment fund units					2,095,604	2,095,604
Other securities					1,023	1,023
					2,181,064	2,181,064
	44,696	974,129	1,553,208	1,130,500	2,181,064	5,883,597

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				
	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
Transport and communications	480,875	28,901	-	-	509,776
Services	1,034,534	45,028	2,139,202	-	3,218,764
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 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 2014 is as follows:

(Thousands of Euros)

	2014				
	Bonds	Shares	Other Financial Assets	Overdue Securities	Gross Total
Textiles	-	-	-	361	361
Wood and cork	-	501	-	998	1,499
Paper, printing and publishing	13,040	11	-	-	13,051
Machinery, equipment and basic metallurgical	-	4	-	-	4
Electricity, water and gas	-	8	-	-	8
Construction	-	952	-	2,540	3,492
Wholesale business	-	983	-	176	1,159
Restaurants and hotels	-	69	-	-	69
Transport and communications	365,060	41,366	-	-	406,426
Services	918,971	40,543	2,095,604	2	3,055,120
Other domestic activities	-	-	1,023	-	1,023
	1,297,071	84,437	2,096,627	4,077	3,482,212
Government and Public securities	1,590,516	-	814,946	-	2,405,462
Impairment for overdue securities	-	-	-	(4,077)	(4,077)
	2,887,587	84,437	2,911,573	-	5,883,597

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.

The analysis of trading derivatives by maturity as at 31 December 2015, is as follows:

(Thousands of Euros)

	2015					
	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/DEBT INSTRUMENTS DERIVATIVES:						
OTC Market:						
Shares/indexes swaps	360,291	1,794,535	1,544,975	3,699,801	3,625	15,666
Shares/indexes options (sale)	-	-	1	1	-	4,500
Other shares/indexes options (purchase)	-	-	-	-	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

The analysis of trading derivatives by maturity as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014					
	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	337,888	1,005,129	11,712,245	13,055,262	645,283	624,379
Interest rate options (purchase)	-	130,200	216,782	346,982	429	-
Interest rate options (sale)	-	130,200	215,936	346,136	-	1,752
Other interest rate contracts	4,777	20,453	105,027	130,257	48,170	48,170
	342,665	1,285,982	12,249,990	13,878,637	693,882	674,301
Stock Exchange transactions:						
Interest rate Futures	16,473	15,649	-	32,122	-	-
CURRENCY DERIVATIVES:						
OTC Market:						
Forward exchange contract	64,959	32,712	402	98,073	2,394	2,748
Currency swaps	2,006,412	544,439	-	2,550,851	42,582	11,641
Currency options (purchase)	6,264	1,429	-	7,693	27	-
Currency options (sale)	4,846	1,429	-	6,275	-	17
	2,082,481	580,009	402	2,662,892	45,003	14,406
SHARES/DEBT INSTRUMENTS DERIVATIVES:						
OTC Market:						
Shares/indexes swaps	123,731	680,084	1,133,972	1,937,787	4,347	11,673
Shares/indexes options (sale)	2,696	-	-	2,696	-	-
Other shares/indexes contracts	-	-	-	-	8,316	-
	126,427	680,084	1,133,972	1,940,483	12,663	11,673
Stock exchange transactions:						
Shares futures	323,450	-	-	323,450	-	-
Shares/indexes options (purchase)	-	8,000	88,387	96,387	81,552	-
Shares/indexes options (sale)	-	8,000	88,400	96,400	-	81,568
	323,450	16,000	176,787	516,237	81,552	81,568
COMMODITY DERIVATIVES:						
Stock exchange transactions:						
Commodities futures	30,312	-	-	30,312	-	-
CREDIT DERIVATIVES:						
OTC Market:						
Credit Default Swaps	10,000	-	2,803,640	2,813,640	135,460	24,478
Other credit derivatives (sale)	-	-	13,216	13,216	-	-
	10,000	-	2,816,856	2,826,856	135,460	24,478
TOTAL FINANCIAL INSTRUMENTS TRADED IN:						
OTC Market	2,561,573	2,546,075	16,201,220	21,308,868	887,008	724,858
Stock exchange	370,235	31,649	176,787	578,671	81,552	81,568
EMBEDDED DERIVATIVES					-	54
	2,931,808	2,577,724	16,378,007	21,887,539	968,560	806,480

23. HEDGING DERIVATIVES

This balance is analysed as follows:

(Thousands of Euros)

	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
HEDGING INSTRUMENTS				
Swaps	**39,094**	**40,923**	53,157	28,547
Others	**170**	**-**	-	-
	39,264	**40,923**	53,157	28,547

Hedging derivatives 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 derivatives are classified in level 2. The Bank applies derivatives to hedge interest and exchange rate exposure risks and securities portfolio credit risks. 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 and deposits and loans granted with fixed rate. The cash flows hedge model is adopted to cover dynamic changes in cash flows from loans granted.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year of a negative amount of Euros 2,484,000 (31 December 2014: positive amount of Euros 7,795,000) and the hedging relationships that follow the cash flows model recorded no ineffectiveness.

During 2015, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 912,000. In 2014, no reclassifications were made from fair value reserves to results, related to cash flow hedge relationships.

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	2015	2014
Loans	**4,772**	1,632
Deposits	**(32,530)**	(34,277)
Debt issued	**(68,026)**	(95,854)
	(95,784)	(128,499)

The analysis of hedging derivatives portfolio by maturity as at 31 December 2015, is as follows:

(Thousands 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	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 HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES:						
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

The analysis of hedging derivatives portfolio by maturity as at 31 December 2014, is as follows:

(Thousands of Euros)

	2014					
	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	59,596	720,901	1,362,693	2,143,190	50,305	28,547
CASH FLOW HEDGE DERIVATIVES WITH INTEREST RATE RISK:						
OTC Market:						
Interest rate Swaps	-	-	2,000,000	2,000,000	2,852	-
	59,596	720,901	3,362,693	4,143,190	53,157	28,547

24. FINANCIAL ASSETS HELD TO MATURITY

The balance Financial assets held to maturity, is analysed as follows:

(Thousands of Euros)

	2015	2014
BONDS AND OTHER FIXED INCOME SECURITIES		
Issued by Government and public entities	**50,597**	1,917,366
Issued by other entities	**376,766**	393,815
	427,363	2,311,181

As at 31 December 2015, the balance Financial assets held to maturity also includes the amount of Euros 236,866,000 (31 December 2014: Euros 698,421,000) 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 22.

As at 31 December 2015, the balance Financial assets held to maturity also includes the amount of Euros 73,533,000 (31 December 2014: Euros 73,151,000) 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 22.

During 2015, the Group reclassified Government bonds, from the portfolio of financial assets held to maturity for the portfolio of financial assets available for sale, in the amount of Euros 1,742,354,000, whose market value, at the date of transfer, was Euros 2,024,570,000. The decision comes as part of the process of strengthening the Group's capital ratios, according to the strategy set by the Board of Directors to meet the new challenges posed by the prudential determinations of the ECB and implied the reclassification on the date of decision, of all the securities portfolio of public debt recorded in the portfolio of securities held to maturity. Under the scope of IAS 39, considering its characteristics and the applicable framework (IAS 39 AG 22 e)), this situation did not imply the tainting of the remaining held to maturity portfolio. During 2015, and as mentioned in note 7, part of these securities were sold.

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 Sa 07/30.01.2027	Portugal	January, 2027	0.053%	40,000	38,968	31,773
Stcp 00/05.06.2022 – 100Mios Call Semest. After 10Cpn-Min.10Mios	Portugal	June, 2022	-0.044%	100,000	98,468	90,835
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,337	53,780
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.412%	69,655	69,669	68,539
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.032%	26,300	26,313	25,794
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.472%	17,800	17,821	14,187
					376,766	367,008
					427,363	423,599

As at 31 December 2014, 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:						
OT 3.5 Pct 10/25.03.2015	Portugal	March, 2015	3.500%	82,366	83,115	83,324
OT 3.85 Pct 05/15.04.2021	Portugal	April, 2021	3.850%	135,000	142,109	153,460
OT 4.45 Pct 08/15.06.2018	Portugal	June, 2018	4.450%	1,436,762	1,427,953	1,628,905
OT 4.75 Pct 09/14.06.2019	Portugal	June, 2019	4.750%	10,000	10,057	11,657
OT 4.8 Pct 10/15.06.2020	Portugal	June, 2020	4.800%	150,000	150,799	177,799
OT 4.95 Pct 08/25.10.2023	Portugal	October, 2023	4.950%	50,000	52,866	59,636
Btps 4.5 Pct 08/01.08.2018 Eur	Italy	August, 2018	4.500%	50,000	50,467	57,520
					1,917,366	2,172,301
ISSUED BY OTHER ENTITIES:						
Cp Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	73,810	80,953
Edia Sa 07/30.01.2027	Portugal	January, 2027	0.311%	40,000	38,920	31,338
Stcp 00/05.06.2022- 100Mios Call Semest. After 10Cpn-Min.10Mios	Portugal	June, 2022	0.183%	100,000	98,250	87,365
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,156	55,235
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	0.622%	87,516	87,541	85,812
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	1.242%	26,300	26,315	23,019
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	2.682%	17,800	17,823	11,729
					393,815	375,451
					2,311,181	2,547,752

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				
	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 Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2014 is as follows:

(Thousands of Euros)

	2014				
	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					
Portuguese issuers	83,115	-	1,438,011	345,773	1,866,899
Foreign issuers	-	-	50,467	-	50,467
Bonds issued by other entities					
Portuguese issuers	-	-	73,810	137,170	210,980
Foreign issuers	-	-	51,156	131,679	182,835
	83,115	-	1,613,444	614,622	2,311,181

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)

	2015	2014
Transports and communications	**172,658**	172, 060
Services	**204,108**	221,755
	376,766	393,815
Government and Public securities	**50,597**	1,917,366
	427,363	2,311,181

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.

25. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Portuguese credit institutions	**277,348**	277,348
Foreign credit institutions	**673,397**	878,877
Other Portuguese companies	**1,377,190**	1,312,451
Other foreign companies	**5,291,981**	5,384,495
	7,619,916	7,853,171
IMPAIRMENT FOR INVESTMENTS IN:		
Subsidiary companies	**(3,919,248)**	(3,801,475)
Associated and other companies	**(3,585)**	(3,585)
	(3,922,833)	(3,805,060)
	3,697,083	4,048,111

The balance Investments in subsidiaries and associated companies, is analysed as follows:

(Thousands of Euros)

	2015	2014
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.	**650,642**	857,310
Banque BCP, S.A.S.	**22,754**	21,567
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.	**1,188,247**	1,102,768
BCP Investment, B.V.	**2,253,669**	2,432,146
BitalPart, B.V.	**1,817,671**	1,817,671
Caracas Financial Services, Limited	**27**	27
FLITPREL III, S.A.	**-**	25
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	**1,500**	1,500
Millennium bcp - Escritório de Representações e Serviços, S/C Lda.	**17,830**	17,347
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	**-**	16,023
Millennium bcp Imobiliária, S.A.	**341,088**	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**302,324**	221,535
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**	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**	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**	17,113
	7,619,916	7,853,171
IMPAIRMENT FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES		
ACT - C - Indústria de Cortiças, S.A.	**(3,585)**	(3,585)
BCP África, S.G.P.S., Lda.	**(80,791)**	(13,953)
BCP Capital - Sociedade de Capital de Risco, S.A.	**(19,264)**	(20,318)
BCP Investment, B.V.	**(1,414,292)**	(1,363,676)
BitalPart, B.V.	**(1,809,662)**	(1,809,638)
Caracas Financial Services, Limited	**(27)**	(18)
Millennium bcp - Escritório de Representações e Serviços, S/C Lda.	**(17,830)**	(17,347)
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	**-**	(273)
Millennium bcp Imobiliária, S.A.	**(341,088)**	(341,088)
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**(221,930)**	(221,535)
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	**(781)**	(725)
Nanium, S.A.	**(1,421)**	(905)
Propaço - Sociedade Imobiliária De Paço D'Arcos, Lda.	**(3)**	-
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda.	**(90)**	-
S&P Reinsurance Limited	**(12,069)**	(11,999)
	(3,922,833)	(3,805,060)
	3,697,083	4,048,111

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.

During the first semester of 2014, the Bank sold the investment held in Banco Millennium Angola, S.A. to BCP África, S.G.P.S., Lda.

The movements for Impairment for investments in subsidiary and associated companies, are analysed as follows:

(Thousands of Euros)

	2015	2014
IMPAIRMENT FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES:		
Balance on 1 January	**3,805,060**	3,454,042
Impairment charge for the year	**119,099**	444,823
Write-back for the year	**(1,054)**	(93,805)
Loans charged-off	**(273)**	-
Exchange rate differences	**1**	-
Balance on 31 December	**3,922,833**	3,805,060

The Bank's subsidiaries and associated companies are presented in note 54.

The Bank analysed the impairment related to the investments made in subsidiaries and associated.

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:

	2015			2014		
	Discount rate	**Discount rate**	**Growth rate**	Discount rate	Discount rate	Growth rate
	Explicit period	**Perpetuity**	**Perpetuity**	Explicit period	Perpetuity	Perpetuity
Portugal	**8.750% to 10.750%**	**9.280% to 11.280%**	**-4.500% to 2.800%**	9.000% to 11.000%	10.850%	-3.100% to 2.600%
Poland	**9.000%**	**9.000%**	**2.500%**	8.875%	9.850%	0.000%
Angola	**17.500%**	**17.500%**	**n.a.**	17.000%	17.000%	0.000%
Mozambique	**19.000%**	**19.000%**	**9.200%**	17.000%	17.000%	0.000%
Suisse	**9.500%**	**9.905%**	**0.000%**	9.625%	11.475%	0.000%

Based on the analysis made, the Bank recognised in 2015, 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
BCP África, S.G.P.S., Lda.	13,953	66,838	-	-	-	80,791
BCP Capital - Sociedade de Capital de Risco, S.A.	20,318	-	(1,054)	-	-	19,264
BCP Investment B.V.	1,363,676	50,616	-	-	-	1,414,292
BitalPart, B.V.	1,809,638	24	-	-	-	1,809,662
Caracas Financial Services, Limited	18	8	-	-	1	27
Millennium bcp - Escritório de Representações e Serviços, S/C Lda.	17,347	483	-	-	-	17,830
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	273	-	-	(273)	-	-
Millennium bcp Imobiliária, S.A.	341,088	-	-	-	-	341,088
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	221,535	395	-	-	-	221,930
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	725	56	-	-	-	781
Nanium, S.A.	905	516	-	-	-	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	-	-	-	90
S&P Reinsurance Limited	11,999	70	-	-	-	12,069
	3,805,060	119,099	(1,054)	(273)	1	3,922,833

26. NON-CURRENT ASSETS HELD FOR SALE

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Real estate and other assets arising from recovered loans	**1,549,353**	1,400,152
Subsidiaries acquired exclusively with the purpose of short-term sale	**26,883**	26,883
	1,576,236	1,427,035
Impairment	**(319,794)**	(317,096)
	1,256,442	1,109,939

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Real estate and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank, or (ii) resolution of leasing contracts.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale. However, taking into account the actual market conditions, it was not possible in all instances to conclude the sales in the expected time. The strategy of alienation results 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 every time the Bank has for sale. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Bank has already established contracts for the sale in the amount of Euros 28,975,000 (31 December 2014: Euros 12,392,000).

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to three real estate companies acquired by the Bank within the restructuring of a loan exposure that the Bank intends to sell in less than one year. 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)

	2015	2014
BALANCE ON 1 JANUARY	**317,096**	348,550
Transfers	**6,000**	24,348
Impairment for the year	**66,555**	36,616
Loans charged-off	**(69,857)**	(92,418)
BALANCE ON 31 DECEMBER	**319,794**	317,096

27. PROPERTY AND EQUIPMENT

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Land and buildings	**548,985**	567,192
Equipment		
Furniture	**69,713**	68,968
Machinery	**15,767**	15,467
Computer equipment	**162,987**	159,575
Interior installations	**95,858**	96,033
Motor vehicles	**7,047**	4,726
Security equipment	**65,536**	66,367
Other equipment	**3,000**	3,060
Work in progress	**7,613**	3,136
Other tangible assets	**33**	33
	976,539	984,557
ACCUMULATED DEPRECIATION		
Charge for the year	**(18,004)**	(18,972)
Accumulated charge for the previous years	**(748,850)**	(752,712)
	(766,854)	(771,684)
	209,685	212,873

The changes occurred in Property and equipment balance, during 2015, are analysed as follows:

(Thousands of Euros)

	Balance in 1 January	Aquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
COST:						
Land and buildings	567,192	400	(12,637)	(6,027)	57	548,985
Equipment:						
Furniture	68,968	2,196	(1,461)	-	10	69,713
Machinery	15,467	332	(81)	44	5	15,767
Computer equipment	159,575	6,227	(2,825)	-	10	162,987
Interior installations	96,033	471	(853)	205	2	95,858
Motor vehicles	4,726	2,938	(628)	-	11	7,047
Security equipment	66,367	255	(1,120)	32	2	65,536
Other equipment	3,060	-	(60)	-	-	3,000
Work in progress	3,136	10,074	(149)	(5,448)	-	7,613
Other tangible assets	33	-	-	-	-	33
	984,557	22,893	(19,814)	(11,194)	97	976,539
ACCUMULATED DEPRECIATION:						
Land and buildings	376,350	10,392	(11,756)	(4,370)	11	370,627
Equipment:						
Furniture	66,375	904	(1,452)	-	4	65,831
Machinery	15,034	138	(81)	-	2	15,093
Computer equipment	154,775	3,257	(2,769)	-	6	155,269
Interior installations	92,088	772	(805)	(21)	-	92,034
Motor vehicles	2,378	1,462	(435)	-	6	3,411
Security equipment	61,627	1,058	(1,116)	-	-	61,569
Other equipment	3,024	21	(58)	-	-	2,987
Other tangible assets	33	-	-	-	-	33
	771,684	18,004	(18,472)	(4,391)	29	766,854

28. INTANGIBLE ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
SOFTWARE	**28,383**	23,412
Other intangible assets	**189**	180
	28,572	23,592
ACCUMULATED DEPRECIATION		
Charge for the year	**(5,860)**	(6,059)
Accumulated charge for the previous years	**(10,047)**	(7,645)
	(15,907)	(13,704)
	12,665	9,888

The changes occurred in Intangible assets balance, during 2015, 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	23,412	8,618	(3,666)	-	19	28,383
Other intangible assets	180	-	(1)	-	10	189
	23,592	8,618	(3,667)	-	29	28,572
ACCUMULATED DEPRECIATION:						
Software	13,653	5,829	(3,666)	-	4	15,820
Other intangible assets	51	31	-	-	5	87
	13,704	5,860	(3,666)	-	9	15,907

29. INCOME TAX

Deferred income tax assets and liabilities generated by tax losses and by temporary differences, are analysed as follows:

(Thousands of Euros)

	2015			2014		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
DEFERRED TAXES NOT DEPENDING ON THE FUTURE PROFITS [(a)]						
Impairment losses	**874,302**	**-**	**874,302**	808,456	-	808,456
Employee benefits [(b)]	**765,021**	**-**	**765,021**	683,461	-	683,461
	1,639,323	**-**	**1,639,323**	1,491,917	-	1,491,917
DEFERRED TAXES DEPENDING ON THE FUTURE PROFITS						
Other tangible assets	**-**	**3,200**	**(3,200)**	-	3,270	(3,270)
Impairment losses	**880,009**	**-**	**880,009**	842,719	-	842,719
Financial assets available for sale	**-**	**21,166**	**(21,166)**	-	44,743	(44,743)
Tax losses carried forward	**311,355**	**-**	**311,355**	423,557	-	423,557
Others	**149,455**	**44,453**	**105,002**	150,943	43,209	107,734
	1,340,819	**68,819**	**1,272,000**	1,417,219	91,222	1,325,997
TOTAL DEFERRED TAXES	**2,980,142**	**68,819**	**2,911,323**	2,909,136	91,222	2,817,914
Offset between deferred tax assets and deferred tax liabilities	**(68,819)**	**(68,819)**	**-**	(91,222)	(91,222)	-
NET DEFERRED TAXES	**2,911,323**	**-**	**2,911,323**	2,817,914	-	2,817,914

(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). Includes the amount of Euros 91,399,000 (2014: Euros 0) associated to costs and changes in equity not deducted pursuant to the application of the special regime applicable to deferred tax assets.

(b) – The balance as at 31 December 2015 includes the amount of Euros 104,413,000 related to deferred tax asset associated with post-employment benefits or long-term employees in excess over the limits.

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.

Following the Law 61/2014, about the special regime applicable to deferred tax assets ('Regime'), the Bank decided at the General Meeting of 15 October 2014 to access this regime.

The special regime applies to deferred tax assets resulting from the non deduction of expenses and negative asset variations with losses due to credit impairment and former employees benefits or long term employee benefits accounted in the tax periods starting on or after 1 January 2015, as well as to deferred tax assets recorded in the company's annual report relating to the last tax period prior to that date and to the portion of expenses and negative asset variations related.

These deferred tax assets are converted into tax credits when the institution that holds the deferred tax assets :

i) registers net losses in its individual annual accounts;
ii) enters in a liquidation process by voluntary dissolution, insolvency ordered by court decision or, when applicable, its authorization for the exercise of the activity is revoked by the competent authorities.

According to the Regime, where it was recorded a net loss for the year, the amount of deferred tax assets to be converted into tax credit is the amount corresponding to the ratio of net loss for the period and the total equity. The tax credit can be used to offset tax liabilities, including those relating to state income taxes and the assets constituting his charge and the fact giving not take place later than the date of such conversion.

The amount of tax credit that is not offset with tax debts is repaid to the taxpayer. In cases where the conversion into tax credit operate the effect of registration of a net loss for the period, the taxpayer will be a special reserve, which implies the simultaneous formation of conversion rights attached to the State.

The deferred tax rate is analysed as follows:

Description	2015	2014
Income tax [(a)]	**21.0%**	21.0%
Municipal surtax rate	**1.5%**	1.5%
State tax rate	**7.0%**	7.0%
TOTAL [(b)]	**29.5%**	29.5%

(a) – Applicable to deferred taxes related to tax losses;
(b) – Applicable to deferred taxes related to temporary differences.

In 2014, the reduction in the income tax rate led to a deferred tax expense in the amount of Euros 167,363,000.

The caption Employee benefits includes the amount of Euros 343,549,000 (31 December 2014: Euros 408,808,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy, as referred in notes 1, 10 and 46. The referred caption also includes the amount of Euros 37,805,000 (31 December 2014: Euros 40,506,000) related to deferred taxes associated to the charge arising from the transfer of the liabilities with retired employees / pensioners to the General Social Security Scheme, which was recognised in the income statement.

The negative impact in equity associated with the change in the above mentioned accounting policy is deductible for tax purposes, in equal parts, for a 10 years period starting on 1 January 2012. The expense arising from the transfer of liabilities with pensioners to the General Social Security Scheme, is deductible for tax purposes, in equal parts starting on 1 January 2012, for a period corresponding to the average number of years of life expectancy of retirees / pensioners whose responsibilities were transferred (18 years for the Bank).

The expire date of the recognised tax losses carried forward is presented as follows:

(Thousands of Euros)

Expire date	2015	2014
2017	**29,739**	137,206
2018	**108,634**	110,693
2019 and following years	**172,982**	175,658
	311,355	423,557

In accordance with the accounting policy and with the requirements of IAS 12, the deferred tax assets were recognized based on the Banks's expectation of their recoverability. The assessment of the recoverability of deferred tax assets was performed for each entity included in the consolidation perimeter based on the respective business plans approved by the Board of Directors for the period 2016-2018.

The estimated financial statements of the Bank prepared under the budget procedure for 2016 and that supports the future taxable income, took into account the macroeconomic and competitive environment while, incorporate the Banks's strategic priorities.

The expectation of future taxable income in Portugal is supported primarily on the positive developments:
i) net interest income, reflecting the positive impact of the reimbursement of CoCos and sustained decline in the cost of deposits from customers;
ii) of the reduction in operating costs, reflecting the favorable effect of decreases in numbers of employees and branches;
iii) loans impairment charges.

The amount of unrecognised deferred taxes is as follows:

(Thousands of Euros)

	2015	2014
Tax losses carried forward	**435,145**	397,385

The impact of income taxes in Net (loss) / income and other captions of Bank's equity, is analysed as follows:

(Thousands of Euros)

	2015		2014	
	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	**65,846**	**-**	78,855	-
Employee benefits	**15,599**	**65,961**	(55,002)	(44,913)
	81,445	**65,961**	23,853	(44,913)
Deferred taxes depending on the future profits				
Other tangible assets	**70**	**-**	304	-
Impairment losses	**37,290**	**-**	106,123	-
Financial assets available for sale	**-**	**23,577**	-	(16,346)
Tax losses carried forward	**(132,245)**	**20,043**	112,564	94,292
Others	**(2,732)**	**-**	33,679	-
	(97,617)	**43,620**	252,670	77,946
	(16,172)	**109,581**	276,523	33,033
CURRENT TAXES				
Actual year	**(5,261)**	**-**	(5,153)	-
Previous years corrections	**(506)**	**-**	(488)	-
	(5,767)	**-**	(5,641)	-
	(21,939)	**109,581**	270,882	33,033

(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).

The reconciliation of the effective tax rate is analysed as follows:

(Thousands of Euros)

	2015	2014
Net income / (loss) before income taxes	**247,996**	(955,306)
Current tax rate	**29,5%**	31,5%
Expected tax	**(73,159)**	300,921
Accruals for the purpose of calculating the taxable income[(a)]	**(61,833)**	(157,684)
Deductions for the purpose of calculating the taxable income[(b)]	**72,585**	195,232
Fiscal incentives not recognised in profit / loss accounts	**40**	748
Effect of tax rate differences and deferred tax not recognised previously[(c)]	**40,722**	(65,156)
Previous years corrections	**1,399**	(495)
(Autonomous tax) / Tax credits	**(1,693)**	(2,684)
	(21,939)	270,882
Effective rate	**8.8%**	28.4%

References:

(a) – Refers, essentially, to the tax associated with the additions of provision losses not deductible for tax purposes and the contribution over the banking sector;

(b) – This is mainly associated with the tax deductions of net income associated to received dividends, for the purpose of elimination of double taxation, and capital gains on the sale of investments;

(c) – Corresponds, essentially, to the recognition of deferred tax assets associated to post-employment benefits or long-term employee in excess of the limits.

30. OTHER ASSETS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Debtors	**118,244**	99,243
Supplementary capital contributions	**224,832**	128,935
Other financial investments	**15,832**	23,278
Amounts due for collection	**34,280**	26,037
Recoverable tax	**19,426**	18,833
Recoverable government subsidies on interest on mortgage loans	**8,164**	6,412
Associated companies	**183,842**	189,949
Interest and other amounts receivable	**33,331**	31,005
Prepayments and deferred costs	**29,421**	32,000
Amounts receivable on trading activity	**177,439**	33,897
Amounts due from customers	**221,968**	240,283
Supplementary capital contributions	**212,128**	512,684
Sundry assets	**203,640**	120,515
	1,482,547	1,463,071
Impairment for other assets	**(370,910)**	(265,845)
	1,111,637	1,197,226

As referred in note 53, the balance Supplementary capital contributions includes the amount of Euros 207,611,000 (31 December 2014: Euros 109,918,000) and the balance Sundry assets includes the amount of Euros 2,939,000 (31 December 2014: Euros 2,939,000), related to the junior securities arising from the sale of loans and advances to costumers to specialized recovery funds which are fully provided.

As at 31 December 2015, the balance Associated companies includes the amount of Euros 182,000,000 (31 December 2014: Euros 182,000,000) related to receivable dividends from subsidiary companies.

The caption Sundry assets includes in 31 December 2015, the amount of Euros 21,898,000 regarding liabilities associated with post-employment benefits, as described in note 46.

The caption Supplementary capital contributions is analysed as follows:

(Thousands of Euros)

	2015	2014
Millennium bcp Imobiliária, S.A.	**54,195**	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**134,225**	438,761
Millennium bcp – Prestação de Serviços, A.C.E.	**18,000**	18,000
Others	**5,708**	4,628
	212,128	512,684

The changes occurred in impairment for other assets, are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**265,845**	181,066
Transfers	**93,626**	(24,446)
Impairment for the year	**14,331**	111,454
Write back for the year	**(33)**	-
Amounts charged-off	**(2,859)**	(2,229)
BALANCE ON 31 DECEMBER	**370,910**	265,845

31. DEPOSITS FROM CREDIT INSTITUTIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Non interest bearing	**Interest bearing**	**Total**	Non interest bearing	Interest bearing	Total
Deposits from Central Banks						
Bank of Portugal	**-**	**4,184,912**	**4,184,912**	-	6,056,724	6,056,724
Central Banks abroad	**-**	**353,279**	**353,279**	-	-	-
Deposits from credit institutions in Portugal	**532,899**	**494,393**	**1,027,292**	421,824	197,009	618,833
Deposits from credit institutions abroad	**271,322**	**2,443,199**	**2,714,521**	210,990	3,834,540	4,045,530
	804,221	**7,475,783**	**8,280,004**	632,814	10,088,273	10,721,087

This balance is analysed by remaining period, as follows:

(Thousands of Euros)

	2015	2014
Up to 3 months	**5,693,002**	8,131,549
3 to 6 months	**180,206**	429,332
6 to 12 months	**186,786**	106,028
1 to 5 years	**1,581,002**	1,608,661
Over 5 years	**639,008**	445,517
	8,280,004	10,721,087

Following the signed agreements of derivative financial transactions with institutional counterparties and according to the signed agreements, the Bank has, as at 31 December 2015, the amount of Euros 56,520,000 (31 December 2014: 108,190,000) regarding deposits from other credit institutions received as collateral of the mentioned transactions.

32. DEPOSITS FROM CUSTOMERS

This balance is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Non interest bearing	**Interest bearing**	**Total**	Non interest bearing	Interest bearing	Total
Deposits from customers:						
Repayable on demand	**13,387,148**	**137,036**	**13,524,184**	9,148,696	922,495	10,071,191
Term deposits	**-**	**15,295,861**	**15,295,861**	-	21,542,646	21,542,646
Saving accounts	**-**	**2,323,222**	**2,323,222**	-	1,247,036	1,247,036
Deposits at fair value through profit and loss	**-**	**3,617,491**	**3,617,491**	-	1,918,419	1,918,419
Treasury bills and other assets sold under repurchase agreement	**-**	**89,966**	**89,966**	-	-	-
Other	**203,423**	**96,607**	**300,030**	184,525	92,081	276,606
	13,590,571	**21,560,183**	**35,150,754**	9,333,221	25,722,677	35,055,898

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. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2015, a loss in the amount of Euros 1,302,000 was recognised (31 December 2014: loss of Euros 4,642,000) 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 2015, the nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to Euros 3,605,424,000 (31 December 2014: Euros 1,902,445,000).

This balance is analysed by remaining period, as follows:

(Thousands of Euros)

	2015	2014
DEPOSITS FROM CUSTOMERS REPAYABLE ON DEMAND	**13,524,184**	10,071,191
TERM DEPOSITS AND SAVING ACCOUNTS FROM CUSTOMERS:		
Up to 3 months	**7,057,424**	10,870,042
3 to 6 months	**4,355,350**	4,707,689
6 to 12 months	**4,934,764**	5,132,284
1 to 5 years	**1,116,539**	1,862,342
Over 5 years	**155,006**	217,325
	17,619,083	22,789,682
DEPOSITS AT FAIR VALUE THROUGH PROFIT AND LOSS:		
Up to 3 months	**326,421**	166,473
3 to 6 months	**529,869**	142,850
6 to 12 months	**1,252,055**	624,166
1 to 5 years	**1,509,146**	984,930
	3,617,491	1,918,419
TREASURY BILLS AND OTHER ASSETS SOLD UNDER REPURCHASE AGREEMENT		
Up to 3 months	**89,966**	-
OTHER:		
Up to 3 months	**183,530**	186,606
Over 5 years	**116,500**	90,000
	300,030	276,606
	35,150,754	35,055,898

33. DEBT SECURITIES ISSUED

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
DEBT SECURITIES AT AMORTISED COST		
Bonds	**1,426,317**	1,484,626
Covered bonds	**1,331,294**	1,344,712
MTNs	**464,032**	1,114,275
	3,221,643	3,943,613
Accruals	**42,620**	52,132
	3,264,263	3,995,745
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		
Bonds	**43,607**	36,560
MTNs	**160,150**	159,960
	203,757	196,520
Accruals	**3,996**	3,395
	207,753	199,915
CERTIFICATES	**507,845**	392,528
	3,979,861	4,588,188

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. These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2015, a loss in the amount of Euros 6,342,000 was recognised (31 December 2014: gain of Euros 644,000) 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, 2015 are analysed as follows:

(Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
DEBT SECURITIES AT AMORTISED COST					
BCP Ob Cx E. I. S. Mar 06/16	March, 2006	March, 2016	Indexed to DJ EuroStoxx 50 index	1,100	1,082
BCP Cov Bonds Jun 07/17	June, 2007	June, 2017	Fixed rate of 4.750%	930,800	950,126
BCP Cov Bonds Oct 09/16	October, 2009	October, 2016	Fixed rate of 3.750%	376,550	381,168
BCP FRN REND CRES I-11 EUR-JAN 2016	January, 2011	January, 2016	1st sem.=1.750%; 2nd sem.=2.250%; 3rd sem.=2.750%; 4th sem.=3.250%; 5th sem.=3.750%; 6th sem.=4.250%; 7th sem.=4.750%; 8th sem.=5.250%; 9th sem.=5.750%; 10th sem.=6.250%	2,500	2,505
BCP Ob Mil Rend M 1 Ser-Val M Nr 5	May, 2011	May, 2016	1st sem.=2.650%; 2nd sem.=2.750%; 3rd sem.=2.875%; 4th sem.=3.000%; 5th sem.=3.125%; 6th sem.=3.250%; 7th sem.=3.375%; 8th sem.=3.500%; 9th sem.=3.750%; 10th sem.=4.250%	10,400	10,589
BCP Rend M 2 Ser-Val M Nr 6	May, 2011	May, 2016	1st sem.=3.000%; 2nd sem.=3.125%; 3rd sem.=3.250%; 4th sem.=3.375%; 5th sem.=3.500%; 6th sem.=3.625%; 7th sem.=3.750%; 8th sem.=4.250%; 9th sem.=4.500%; 10th sem.=5.125%	58,541	59,759
BCP Sfe Rend M Sr 2-Val Mob Nr 7	May, 2011	May, 2016	1st sem.=3.000%; 2nd sem.=3.125%; 3rd sem.=3.250%; 4th sem.=3.375%; 5th sem.=3.500%; 6th sem.=3.625%; 7th sem.=3.750%; 8th sem.=4.250%; 9th sem.=4.500%; 10th sem.=5.125%	125	128
BCP Rend M 3 Ser-Val M Nr 8	May, 2011	May, 2016	1st sem.=3.250%; 2nd sem.=3.375%; 3rd sem.=3.500%; 4th sem.=3.625%; 5th sem.=3.875%; 6th sem.=4.125%; 7th sem.=4.375%; 8th sem.=4.625%; 9th sem.=4.875%; 10th sem.=5.625%	31,252	31,932
BCP Sfe Rend M Sr 9-Val Mob Nr 9	May, 2011	May, 2016	1st sem.=3.250%; 2nd sem.=3.375%; 3rd sem.=3.500%; 4th sem.=3.625%; 5th sem.=3.875%; 6th sem.=4.125%; 7th sem.=4.375%; 8th sem.=4.625%; 9th sem.=4.875%; 10th sem.=5.625%	580	592
BCP Rend Sup M 2 S - Val Mob Sr.13	June, 2011	June, 2016	1st sem.=3.500%; 2nd sem.=3.625%; 3rd sem.=3.750%; 4th sem.=3.875%; 5th sem.=4.000%; 6th sem.=4.125%; 7th sem.=4.250%; 8th sem.=4.375%; 9th sem.=4.625%; 10th sem.=5.125%	2,758	2,817
BCP Iln Permal Macro Hold Class D	June, 2011	June, 2021	Indexed to Permal Macro Holding Lda	240	240
BCP Rend Sup M 3 Sr- Val Mob Sr. 14	June, 2011	June, 2016	1st sem.=3.875%; 2nd sem.=4.000%; 3rd sem.=4.125%; 4th sem.=4.250%; 5th sem.=4.375%; 6th sem.=4.500%; 7th sem.=4.625%; 8th sem.=4.750%; 9th sem.=5.000%; 10th sem.=5.500%	5,404	5,520
BCP Ob.Mill Rend Super-Vm Sr Nr 12	June, 2011	June, 2016	1st sem.=3.000%; 2nd sem.=3.125%; 3rd sem.=3.250%; 4th sem.=3.375%; 5th sem.=3.500%; 6th sem.=3.625%; 7th sem.=3.750%; 8th sem.=3.875%; 9th sem.=4.125%; 10th sem.=4.625%	662	676

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
BCP Sfe Rendim Super M 3 Sr. 15	June, 2011	June, 2016	1st sem.=3.875%; 2nd sem.=4.000%; 3rd sem.=4.125%; 4th sem.=4.250%; 5th sem.=4.375%; 6th sem.=4.500%; 7th sem.=4.625%; 8th sem.=4.750%; 9th sem.=5.000%; 10th sem.=5.500%	130	133
BCP Rend Super M 4 Ser-Vm Sr. 21	July, 2011	July, 2016	1st sem.=3.000%; 2nd sem.=3.125%; 3rd sem.=3.250%; 4th sem.=3.375%; 5th sem.=3.500%; 6th sem.=3.625%; 7th sem.=3.750%; 8th sem.=3.875%; 9th sem.=4.125%; 10th sem.=4.625%	310	318
BCP Rend Super M 5 Ser-Vm Sr. 22	July, 2011	July, 2016	1st sem.=3.500%; 2nd sem.=3.625%; 3rd sem.=3.750%; 4th sem.=3.875%; 5th sem.=4.000%; 6th sem.=4.125%; 7th sem.=4.250%; 8th sem.=4.375%; 9th sem.=4.625%; 10th sem.=5.125%	1,021	1,046
BCP Rend Super M 6 Ser-Vm Sr. 23	July, 2011	July, 2016	1st sem.=3.875%; 2nd sem.=4.000%; 3rd sem.=4.125%; 4th sem.=4.250%; 5th sem.=4.375%; 6th sem.=4.500%; 7th sem.=4.625%; 8th sem.=4.750%; 9th sem.=5.000%; 10th sem.=5.500%	2,614	2,678
BCP Fix Jul 2016-Val Mob Sr. 38	August, 2011	July, 2016	Fixed rate of 6.180%	1,750	1,750
BCP Float Jun 2016-Val Mob Sr. 37	August, 2011	June, 2016	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	1,330	1,317
BCP Float Mar 2018-Val Mob Sr. 40	August, 2011	March, 2018	Until 03 Sep 2011: Fixed rate 2.332% year; after 03 Sep 2011: Euribor 6M + 0.950%	2,850	2,624
BCP Float Dec 2017-Val Mob Sr. 41	August, 2011	December, 2017	Until 20 Dec 2011: Fixed rate 2.702% year; after 20 Dec 2011: Euribor 6M + 0.950%	2,450	2,368
BCP Float Jun 2017-Val Mob Sr. 39	August, 2011	June, 2017	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	900	878
BCP Float Jan 2018-Val Mob Sr. 42	August, 2011	January, 2018	Until 28 Jan 2012: Fixed rate 2.781% year; after 28 Jan 2012: Euribor 6M + 0.950%	2,800	2,598
BCP Float Jan 2018-Vm Sr.46	November, 2011	January, 2018	Fixed rate of 1.831% (1st interest) and Euribor 6 M (2nd and following)	8,750	7,434
BCP Fix Oct 2019-Vm Sr.44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	5,410
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	82,508
Bcp Float Apr 2016-Vm Sr.82 Ref. 15	December, 2011	April, 2016	Until 4 Apr 2012: Fixed rate 2.054% year; after 4 Apr 2012: Euribor 3M + 0.500%	137,200	134,851
Bcp Float Jan 2019-Vm 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	42,835
Bcp Float Jul 2016-Vm Sr.87-Ref. 20	December, 2011	July, 2016	Until 8 Apr 2012: Fixed rate 2.056% year; after 8 Apr 2012: Euribor 3M + 0.500%	40,000	38,602
Bcp Float Apr 2016-Vm Sr.83-Ref. 16	December, 2011	April, 2016	Until 14 Apr 2012: Fixed rate 2.071% year; after 14 Apr 2012: Euribor 3M + 0.500%	35,000	34,330
Bcp Float Oct 2016-Vm 91 Ref. 24	December, 2011	October, 2016	Until 15 Apr 2012: Fixed rate 2.072% year; after 15 Apr 2012: Euribor 3M + 0.500%	18,000	17,039
Bcp Float 2 Jul 2016-Vm Sr.88 Ref. 21	December, 2011	July, 2016	Until 30 Apr 2012: Fixed rate 2.090% year; after 30 Apr 2012: Euribor 3M + 0.500%	45,000	43,221
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	25,703
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%	49,250	43,154
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	4,460
Bcp Float May 2016-Vm Sr.84-Ref. 17	December, 2011	May, 2016	Until 7 May 2012: Fixed rate 2.080% year; after 7 May 2012: Euribor 3M + 0.500%	39,100	38,178
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	40,372
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	32,394
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	9,228
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%	56,450	48,516

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp Float May 2016-Vm 85-Ref. 18	December, 2011	May, 2016	Until 20 May 2012: Fixed rate 1.960% year; after 20 May 2012: Euribor 3M + 0.500%	21,000	20,463
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	86,044
Bcp Float Aug 2016-Avl Sr.89 Ref. 22	December, 2011	August, 2016	Until 22 May 2012: Fixed rate 1.965% year; after 22 May 2012: Euribor 3M + 0.500%	36,700	35,125
Bcp Float Nov 2016-Vm Sr.92-Ref. 25	December, 2011	November, 2016	Until 26 May 2012: Fixed rate 1.974% year; after 26 May 2012: Euribor 3M + 0.500%	8,000	7,504
Bcp Float Sep 2016 Ref.23 Vm 90	December, 2011	September, 2016	Until 3 Jun 2012: Fixed rate 1.969% year; after 3 Jun 2012: Euribor 3M + 0.500%	13,600	12,975
Bcp Float Jun 2016-Vm Sr.86-Ref. 19	December, 2011	June, 2016	Until 20 Jun 2012: Fixed rate 1.917% year; after 20 Jun 2012: Euribor 3M + 0.500%	47,000	45,525
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	12,871
Bcp Float Mar 2016-Vm 81-Ref. 14	December, 2011	March, 2016	Until 25 Jun 2012: Fixed rate 1.910% year; after 25 Jun 2012: Euribor 3M + 0.500%	121,400	119,478
Bcp Float Dec 2016-Vm Sr.93-Ref. 26	December, 2011	December, 2016	Euribor 3M + 0.500%	19,500	18,189
Bcp Float Dec 2017-Vm Sr.101 Ref. 34	December, 2011	December, 2017	Euribor 3M + 0.500%	65,900	57,066
Bcp Float Mar 2018-Vm Sr.103 Ref. 36	December, 2011	March, 2018	Euribor 3M + 0.500%	49,300	41,963
Bcp Fixa Oct 2019-Vm Sr.61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	9,479
Bcp Fixa Oct 19-Vm Sr. 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	3,971
Bcp Floater Mar 13-Vm Sr. 114	February, 2012	March, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,000	7,912
Bcp Floater Apr 16-Vm Sr. 115	February, 2012	April, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	1,700	1,676
Bcp Floater Jun 16-Vm Sr. 116	February, 2012	June, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,586	8,373
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	3,429
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	25,065
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%	20,000	17,093
Bcp Floater Jun 16-Vm Sr. 167	March, 2012	June, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	4,987	4,843
Bcp Floater Jul 16-Vm Sr. 168	March, 2012	July, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	1,513	1,464
Bcp Floater Jun 17-Vm Sr. 176	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	8,225	7,588
Bcp Fixa Oct 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	1,945
Bcp Floater Jun 17-Vm Sr. 191	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	12,800	11,793
Bcp Floater Mar 18-Vm Sr. 192	April, 2012	March, 2018	Until 27 Dec 2012: fixed rate 2.217% year; after 27 Dec 2012: Euribor 6M + 0.950%	3,055	2,729
Bcp Fixa Oct 19-Vm Sr. 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	4,768
Bcp FRNs 5.625 Per Cent Feb 16-Emtn 843	June, 2012	February, 2016	Fixed rate of 5.625%	10,450	10,420
Bcp 4.75 Por Cento Sep -Vm Sr. 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	28,019
Mill Rend.Trim Dec 20-Vm Sr. 290	December, 2012	December, 2020	Fixed rate of 4.500%	47,182	47,182
Bcp 3.375 14/27.02.2017 Emtn 852	February, 2014	February, 2017	Fixed rate of 3.375%	448,069	451,107
Bcp Cln Brisa Fev 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	2,511
					3,221,643
ACCRUALS					42,620
					3,264,263

(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	63,305
BCP Eur Cln Port 2Emis Jun 10/18	November, 2010	June, 2018	Fixed rate of 4.450% underlying asset OT - 2018/06	11,550	12,599
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate of 4.800% underlying asset OT - 2020/06	30,000	33,815
BCP Iln Seleç Merc Emerg 10 Feb 16	February, 2011	February, 2016	Indexed to MSCI Emerging Market Fund	1,005	1,142
BCP Iln Estr Global Viii/11 Eur	August, 2011	August, 2016	Fixed rate of 1.600% per year	2,260	2,601
Bcp Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate of 4.450% underlying asset OT - 2018/06	32,700	42,448
Part. Multisetorial Europ.-Emtn 850	June, 2013	June, 2018	Indexed to DB SALSA Sectors EUR	4,150	4,240
Inv.Zona Euro I 22012017 Epvm Sr. 4	January, 2014	January, 2017	Indexed to DJ EuroStoxx 50 index	1,150	1,202
Part Acoes Zona Euro Iii - Epvm Sr. 6	March, 2014	March, 2016	Indexed to DJ EuroStoxx 50 index	1,680	1,785
Inv Merc. Acion Zona Euro - Epvm Sr. 11	June, 2014	June, 2016	Indexed to a portfolio of 2 indexes	3,960	4,081
Cab Blue Chips Z Euro Aut Epvm Sr. 15	November, 2014	November, 2016	Indexed to DJ EuroStoxx 50 index	5,730	5,829
Inv Commodities Autc Epvm Sr. 16	November, 2014	November, 2017	Indexed to S&P GSCI ER index	1,340	581
Bcp Reem Parc Eur Ind Xii 14 Epvm Sr. 18	December, 2014	December, 2017	1st quarter=2.250%; 2nd quarter=5.400%; 2nd semester=9.000%; 2nd year=4.500%;	220	192
Bcp Rend Eur Amer Autoc I 15 Eur-Epvm 19	January, 2015	January, 2017	Indexed to a portfolio of 2 indexes	2,470	2,461
Bcp Rend Eur Amer Autoc I 15 Usd-Epvm 21	January, 2015	January, 2017	Indexed to a portfolio of 2 indexes	937	936
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	1,493
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%	334	309
Inv Cabaz Baixa Volatilidade Iv-Epvm 27	April, 2015	April, 2016	Indexed to S&P Europe 350 Low Volatility	662	646
Bcp Reemb Parc 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	293
Bcp Retor Ec Zona Eur Autoc Iv-Epvm 26	April, 2015	April, 2017	Indexed to DJ EuroStoxx 50	3,050	2,923
Bcp Inv Cabaz Baixa Volatil V-Epvm 28	May, 2015	May, 2017	Indexed to S&P Europe 350 Low Volatility	1,580	1,473
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	2,347
Bcp Rend Indic Setor Autoc Vii-Epvm 30	July, 2015	July, 2017	Indexed to a portfolio of 3 indexes	2,180	1,948
Bcp Inv Eur Divid Autoccal. Vii-Epvm 31	July, 2015	July, 2018	Indexed to EuroStoxx Select Dividend 30	1,100	990
Bcp Rend Acoes Zon Eur Autc-Epvm 32	August, 2015	August, 2018	Indexed to EuroStoxx 50 index	1,880	1,632
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%	3,360	3,265
Bcp Rend Ind Glob Autoc Xi-Epvm 36	November, 2015	November, 2017	Indexed to a portfolio of 3 indexes	1,610	1,360
Bcp Invest Bancos Zona Eur Xi-Epvm 37	November, 2015	November, 2019	Indexed to indice EuroStoxx Banks	1,000	798
Bcp Invest Eur Glob Autoc Xi-Epvm 35	November, 2015	November, 2017	Indexed to Stoxx Europe 600 index	3,200	3,092

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(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
Bcp Reemb Par Ind Setor Xii-Epvm 39	December, 2015	December, 2017	Until 11 Mar 2016: Fixed rate 1.624%; 1.258 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%	1,258	1,260
Bcp Rend Zon Eur Autoc Xii - Epvm 38	December, 2015	December, 2018	Indexed to EuroStoxx 50	3,060	2,711
					203,757
ACCRUALS					3,996
					207,753

This balance, as at 31 December 2015, is analysed by the remaining period, as follows:

(Thousands 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 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

This balance, as at 31 December 2014, is analysed by the remaining period, as follows:

(Thousands of Euros)

	2014					
	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 AMORTISED COST						
Bonds	30,286	1,567	79,352	1,296,610	76,811	1,484,626
Covered bonds	-	-	-	1,344,712	-	1,344,712
MTNs	40,374	261,093	211,197	601,611	-	1,114,275
	70,660	262,660	290,549	3,242,933	76,811	3,943,613
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,954	1,777	5,228	27,601	-	36,560
MTNs	3,417	2,579	-	120,977	32,987	159,960
	5,371	4,356	5,228	148,578	32,987	196,520
CERTIFICATES	-	-	-	-	392,528	392,528
	76,031	267,016	295,777	3,391,511	502,326	4,532,661

34. FINANCIAL LIABILITIES HELD FOR TRADING

The balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Swaps	**575,498**	720,342
Options	**68,148**	83,336
Embedded derivatives	**-**	54
Forwards	**1,285**	2,748
	644,931	806,480
Level 1	**62,211**	81,568
Level 2	**566,212**	716,410
Level 3	**16,508**	8,502

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 45.

The balance Financial liabilities held for trading includes, as at 31 December 2014, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 c), in the amount of Euros 54,000. This note should be analysed together with note 22.

35. PROVISIONS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
General provision for loan losses	**333,073**	463,141
Provision for country risk	**3,069**	2,290
Other provisions for liabilities and charges	**95,982**	79,325
	432,124	544,756

Changes in General provision for loan losses are analysed as follows:

(Thousands of Euros)

	2015	2014
GENERAL PROVISION FOR LOANS		
BALANCE ON 1 JANUARY	**253,609**	282,794
Transfers	**-**	(27,187)
Charge for the year	**37,451**	-
Write-back for the year	**(3,855)**	(3,272)
Exchange rate differences	**1,150**	1,274
BALANCE ON 31 DECEMBER	**288,355**	253,609
GENERAL PROVISION FOR SIGNATURE CREDITS		
BALANCE ON 1 JANUARY	**209,532**	47,739
Transfers	**(159,012)**	-
Charge for the year	**-**	161,779
Write-back for the year	**(5,815)**	-
Exchange rate differences	**13**	14
BALANCE ON 31 DECEMBER	**44,718**	209,532
	333,073	463,141

The General provision for loan losses was calculated in accordance with Regulation no. 3/95, no. 2/99 and no. 8/03 of the Bank of Portugal, as referred in accounting policy 1 b).

The balance General provision for signature credits - Transfers, corresponds mainly to transfers for impairment for credit risks. Changes in Provision for country risk are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**2,290**	537
Charge for the year	**779**	1, 753
BALANCE ON 31 DECEMBER	**3,069**	2,290

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE ON 1 JANUARY	**79,325**	40,337
Transfers	**(12,623)**	(1,134)
Charge for the year	**29,322**	42,935
Write-back for the year	**-**	(17)
Loans charged-off	**(42)**	(2,796)
BALANCE ON 31 DECEMBER	**95,982**	79,325

The provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Bank's inherent risks, which are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

36. SUBORDINATED DEBT

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
BONDS		
Non Perpetual Bonds	**668,440**	1,030,732
Perpetual Bonds	**87,672**	196,503
CoCos	**759,813**	762,767
	1,515,925	1,990,002
ACCRUALS	**14,265**	29,362
	1,530,190	2,019,364

The caption Subordinated debt – CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of Euros 3,000,000,000 and fully subscribed by the Portuguese State. These instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances, such as delinquency or lack of payment are susceptible of being converted in Bank's ordinary shares. The Bank repaid in May 2014 the amount of Euros 400,000,000 of core tier I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid

Euros 1,850,000,000 of common equity tier I capital instruments (CoCos), after having received the authorization from the Bank of Portugal, based on the regulator's analysis of the evolution of the Bank's capital ratios and as announced during the recent capital increase.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 - Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As mentioned in note 44, it was made in June 2015 a public exchange offer of securities for shares which aimed to reinforce the Bank's share capital. This operation was led through contributions in kind, as part of new entries consisting of the subordinated securities issued by the Bank in the amount of Euros 370,632,000 and that involved the extinction of these emissions.

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 (i)	71,259	71,260
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (ii)	73,785	73,785
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (ii)	20,741	20,741
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	See reference (iii)	16,294	16,294
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iv)	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	Janeiro, 2012	Janeiro, 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					
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	23,025	23,025
BCP Leasing 2001	December, 2001	-	Euribor 3M + 2.250%	5,436	5,436
OBRIGAÇÕES CAIXA PERPÉTUAS Subord 2002/19Jun2012	June, 2002	-	See reference (v)	93	93
BCP - Euro 500 millions	June, 2004	-	See reference (vi)	43,968	43,501
Subord.debt BCP Finance Company	October, 2005	-	See reference (vii)	15,942	15,617
					87,672

(continues)

(continuation) (Thousands of Euros)

Issue	Issue date	Maturity date	Interest rate	Nominal value	Book value
COCOS					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (viii)	750.000	759,813
ACCRUALS					14,265
					1,530,190

References :
(i) – Until December 2011 Euribor 3M + 0.335%; After December 2011 Euribor 3M + 0.800%;
(ii) – 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(iii) – Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iv) – 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%;
(v) – Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(vi) – Until June 2014 fixed rate of 5.543%; After June 2014 Euribor 6M + 2.070%;
(vii) – Until October 2015 fixed rate of 4.239%; After October 2015 Euribor 3M + 1.950%;
(viii) – 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)

	2015	2014
Up to 1 year	**71,260**	-
1 to 5 years	**1,143,893**	1,306,090
Over 5 years	**213,100**	487,409
Undetermined	**87,672**	196,503
	1,515,925	1,990,002
Accruals	**14,265**	29,362
	1,530,190	2,019,364

37. OTHER LIABILITIES

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
CREDITORS:		
Suppliers	**22,335**	25,371
From factoring operations	**12,117**	6,132
Other creditors	**172,679**	216,477
Public sector	**37,905**	45,712
Other amounts payable	**18,284**	14,101
Deferred income	**5,799**	5,514
Holiday pay and subsidies	**41,581**	44,375
Amounts payable on trading activity	**40,621**	5,994
Other liabilities	**310,435**	399,295
	661,756	762,971

The balance Creditors – Other creditors includes the amount of Euros 45,368,000 (31 December 2014: Euros 46,904,000) related to the seniority premium, as described in note 44.

Additionally, this balance includes the amount of Euros 19,858,000 (31 December 2014: Euros 23,656,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees. This balance also included, in 31 December 2014, the amount of Euros 35,164,000 regarding the restructuring provision, related to the resizing program agreed with the European Commission. This provision was used during 2015, under the restructuring process.

The balance Creditors – Other creditors also includes the amount of Euros 4,245,000 (31 December 2014: Euros 3,153,000), 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 46. These obligations are not covered by the Pension Fund and therefore, correspond to amounts payable by the Bank.

The caption Other liabilities included as at 31 December 2014, the amount of Euros 38,699,000 regarding liabilities associated with post-employment benefits, as described in note 46.

38. SHARE CAPITAL AND OTHER EQUITY INSTRUMENTS

The Bank's share capital amounts to Euros 4,094,235,361.88 and is represented by 59,039,023,275 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

Following the authorization given in the Annual General Meeting of Shareholders of 11 May 2015, the Bank carried out 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.

On 24 July 2014, the Bank had registered a share capital increase from Euros 1,465,000,000 to Euros 3,706,690,253.08 through the issuance of new 34,487,542,355 ordinary, book-entry and nominates shares, without nominal value, which were offered to the Bank's shareholders for subscription through the exercise of their pre-emptive subscription rights.

In accordance with the Shareholders General Meeting in 30 May of 2014, the bank had reduced the share capital from Euros 3,500,000,000 to Euros 1,465,000,000, without changing the number of shares without nominal value at this date, being the reduction of Euros 2,035,000,000 to cover losses on the separate financial statements of the Bank occurred in the year 2013.

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:
- 5,000,000 Perpetual Non-cumulative Guaranteed Non-voting Preference Shares with par value of Euros 100 each, in the total amount of Euros 500,000,000, issued on 9 June 2004;
- 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights, in the total amount of Euros 500,000,000, issued on 13 October 2005.

In October 2011 and July 2015, the majority of the preference shares were exchanged for new debt instruments. As at 31 December 2015, the balance preference shares amounts to Euros 59,910,000.

The balance other equity instruments, includes three issues of perpetual subordinated debt securities, analysed as follows:
- In June 2009, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
- In August 2009, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
- In December 2009, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offerings of perpetual subordinated securities for ordinary shares, performed in 2011 and 2015. As at 31 December 2015, the balance amounts to Euros 2,922,000.

Pursuant to the conditions of the issue of Core Tier I 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 2015, shareholders holding individually or together with their affiliates, 2% or more of the share capital of the Bank, is as follows:

Shareholder	Number of shares	% share capital	% voting rights
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	10,534,115,358	17.84%	17.84%
Sabadell Group	2,994,863,413	5.07%	5.07%
EDP Group	1,599,763,651	2.71%	2.71%
BlackRock (*)	1,308,152,656	2.22%	2.22%
Interoceânico Group	1,207,659,500	2.04%	2.04%
Total Shareholdings Qualified	17,644,554,578	29.88%	29.88%

(*) According to the latest available information (BlackRock on 24 July, 2014)

39. 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. The Bank maintained its legal reserve in the amount of Euros 193,270,000.

40. FAIR VALUE RESERVES, OTHER RESERVES AND RETAINED EARNINGS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
FAIR VALUE RESERVES		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**85,340**	160,078
Loans represented by securities (*)	**(15)**	(20)
Financial assets held to maturity (*)	**(955)**	(1,207)
Cash flow hedge	**1,876**	2,852
	86,246	161,703
TAX		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	**(24,613)**	(47,978)
Loans represented by securities	**4**	6
Financial assets held to maturity	**282**	356
Cash flow hedge	**(553)**	(841)
	(24,880)	(48,457)
FAIR VALUE RESERVE NET OF TAXES	**61,366**	113,246
Actuarial losses (net of taxes)	**(2,321,972)**	(2,299,532)
Amortization of the transition adjustment to pensions (Regulation no.12/01)	**-**	(13,375)
Legal reserve	**193,270**	193,270
Statutory reserve	**30,000**	30,000
Other reserves and retained earnings	**1,124,949**	1,821,899
RESERVES AND RETAINED EARNINGS	**(973,753)**	(267,738)

(*) 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 c).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according to the bank's by-laws can be distributed.

The changes occurred, during 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					
	Balance on 1 January	Transfers	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

The balance Fair value adjustment includes the valuation of the investment held by the Banco Comercial Português, S.A. in Visa Europe Limited in the amount of Euros 18,276,000 as a result of their valuation for the current transaction Visa International, as referred in notes 22 and 44.

The changes occurred, during 2014, 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)

	2014					
	Balance on 1 January	Transfers	Fair value adjustment	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	81,386	-	179,685	-	(240,254)	20,817
BII 2014 mortgage bonds	138	-	(138)	-	-	-
Others	22,521	-	97,369	134,986	(116,842)	138,034
	104,045	-	276,916	134,986	(357,096)	158,851

41. TREASURY STOCK

This balance is analysed as follows:

(Thousands of Euros)

	2015			2014		
	Net book value	**Number of securities**	**Average book value**	Net book value	Number of securities	Average book value
Other treasury stock	-			1,239		
	-			1,239		

42. GUARANTEES AND OTHER COMMITMENTS

This balance is analysed as follows:

(Thousands of Euros)

	2015	2014
Guarantees granted	**4,131,930**	4,625,561
Guarantees received	**24,335,007**	24,745,316
Commitments to third parties	**5,507,113**	6,094,120
Commitments from third parties	**11,310,949**	10,442,717
Securities and other items held for safekeeping on behalf of customers	**125,913,872**	113,733,613
Securities and other items held under custody by the Securities Depository Authority	**131,229,816**	119,922,441
Other off balance sheet accounts	**127,031,999**	126,003,321

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euros)

	2015	2014
GUARANTEES GRANTED:		
Guarantees	**2,985,233**	3,236,055
Stand-by letters of credit	**66,474**	67,600
Open documentary credits	**290,967**	245,087
Bails and indemnities	**427,581**	505,906
Other liabilities	**361,675**	570,913
	4,131,930	4,625,561
COMMITMENTS TO THIRD PARTIES:		
Irrevocable commitments		
Term deposits contracts	**-**	36,417
Irrevocable credit lines	**528,441**	946,394
Other irrevocable commitments	**123,627**	122,496
Revocable commitments		
Revocable credit lines	**4,043,469**	3,977,308
Bank overdraft facilities	**811,576**	1,011,505
	5,507,113	6,094,120

The Guarantees granted may be related to loan 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.

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 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 Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

43. 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)

	2015	2014
Wealth management	**1,915,490**	1,534,264
Assets under deposit	**122,359,479**	110,474,251
	124,274,969	112,008,515

44. RELEVANT EVENTS OCCURRED DURING 2015

Increase of the Bank's Share Capital from Euros 3,706,690,253.08 to Euros 4,094,235,361.88

In June 2015, Banco Comercial Português, S.A 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.

Conclusion of the sale of the whole share capital of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

Banco Comercial Português, S.A concluded, in May 2015, the sale of the whole share capital of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A. to Corretaje e Información Monetária y de Divisas, S.A. (CIMD Group).

The Bank will continue to sell investment funds managed by MGA, which is the depositary.

Resolutions of the Annual General Meeting

Banco Comercial Português, S.A. concluded, on 11 May 2015, the Annual General Meeting of Shareholders, with 46.63% of the share capital represented and the following resolutions:

i) Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2014;
ii) Approval of the appropriation of the net losses on the individual balance sheet for "Retained Earnings";
(iii) 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 and its representative;
(iv) Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;
(v) Approval of the policy for the selection and evaluation of the adequacy of the Members of the Management and Supervision Bodies;
(vi) Approval of the cooptation of a non executive member of the Board of Directors to exercise functions in the triennial 2012/2014;
(vii) Approval of the election of the members of the Board of Directors and of the Audit Committee to exercise functions in the triennial 2015/2017;
(viii) Approval of the election of the members of the International Strategic Board to exercise functions in the triennial 2015/2017;
(ix) Approval of the election of the members of the Remuneration and Welfare Board to exercise functions in the triennial 2015/2017, and of their remuneration;
(x) Approval of the appointment of a firm of independent statutory auditors, to, pursuant to article 28 of the Companies Code, make a report on the contributions in kind to be made within the scope of the subscription of shares to be issued by new contributions in kind object of Item Eleven of the Agenda of the general meeting;
(xi) Approval of the launching of a public offer for the exchange of subordinated securities and consequent increase of the share

capital by contributions in kind up to 428,000,000.00 Euros, made through the issue of up to 5,350,000,000 new shares without nominal value, under which:

a) the new contributions will be composed of securities issued by the Bank and by the subsidiary company BCP Finance Company Ltd with the ISIN PTBCPMOM0002, PTBCLWXE0003, PTBCPZOE0023, PTBIPNOM0062, PTBCTCOM0026, XS0194093844 and XS0231958520, and

b) these new shares will be issued with an issue price per share corresponding to 93% of the weighted average per volumes of the BCP share price in the regulated market Euronext Lisbon, in the five trading days immediately before the exchange public offer is launched, and, without prejudice to the minimum amount required by law, the issue price of up to 0.08 Euros per share corresponding to the issue value and the remaining amount corresponding to the premium, and on the consequent alteration of the articles of association (article 4.1); and

(xii) – Approval of the acquisition and sale of own shares or bonds.

Sale of 15.41% of the share capital of Bank Millennium S.A. (Poland)

At the end of March 2015, as part of an accelerated placement operation, the Bank sold to institutional investors 186,979,631 shares of Bank Millennium, S.A. (Poland), representing 15.41% of the share capital of the Bank for the amount of approximately Euros 304 million (PLN 1,240 million).

Following this transaction, the Bank now holds a 50.1% stake in the share capital of the Bank maintaining control in accordance with IFRS 10. This operation generated a gain of Euros 30,988,000 on a consolidated basis, which had no impact on profit and loss because the transaction did not imply change of control of the subsidiary.

Assessment process scenarios for ActivoBank

On 24 February 2015, Banco Comercial Português, S.A. informed about the process of evaluation of various strategic scenarios that promote the appreciation of ActivoBank, the online reference bank in Portugal.

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, however no final decision has yet been made regarding the sale of ActivoBank.

Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.

Banco Comercial Português, S.A. (BCP) agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A., thereby creating the conditions for growth in adverse conditions and simultaneously adapting the bank to the implications of recent changes in supervisory equivalence.

BCP signed, on 8 October, 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.

Proposal of acquisition of Visa Europe Ltd. by Visa Inc

It was announced on 2 November 2015 by Visa Inc. a proposal of acquisition of Visa Europe Ltd by Visa Inc. In accordance with the information published by Visa Inc., the value of the transaction includes Euros 16,500 million paid up-front to the beneficiaries and, in addition, potentially up to Euros 4,700 million, as an earn--out payable following the fourth anniversary of completion of the transaction, totaling a transaction amount of up to Euros 21,200 million. The upfront amount considers a cash payment of Euros 11,500 million and Euros 5,000 million of preference shares convertible into ordinary Visa Inc. class A common shares.

Both BCP and Bank Millennium, as key members of Visa Europe Ltd will benefit from this transaction.

On this basis and as referred in notes 22 and 40, the investment were valued based on the estimated values. These amounts are not final and are subject to adjustments until the determination of final amounts, which is expected to occur during the first quarter of 2016. Also, in accordance with the indicative time-table, the upfront payments are expected to occur until the end of the first semester of 2016, but terms and implementation of the upfront payment are subject to regulatory approvals.

Both Banks may also receive earn-outs after the fourth anniversary of the completion of the transaction. The amount of each earn-out will depend on each Bank's share in Visa's business in the four consecutive years counting from the completion of the transaction.

The initially estimated amounts regarding the cash payments were recognised in Fair Value Reserves in 2015. Until this date, the asset was carried at cost considering that there was no reliability in the determination of fair value.

45. 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 Bank.

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 Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities of the Bank are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand
Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements
The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.05% as at 31 December 2015 (31 December 2014: 0.05%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities. 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). As at 31 December 2015, the average discount rate was 1.22% for loans and advances, -1.60% for Repos and 0.05% for deposits. As at 31 December 2014 the rates were 0.42%, -1.31% and 0.37%, 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, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non--deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity
These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives
All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers with defined maturity date
The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months. The average discount rate was 3.86% as at 31 December 2015 and 3.76% as at 31 December 2014. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Bank to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the spread of the Bank at the date of the report, which was calculated from the average production of the three most recent months. As at 31 December 2015, the average discount rate was 0.75% and as at 31 December 2014 was 0.96%.

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 Bank 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 Bank.

As original reference, the Bank 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 Bank, 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 5.74% (31 December, 2014: 6.79%) for subordinated debt placed on the institutional market.

Regarding the subordinated issues placed on the retail market it was determined a discount rate of 6.07% (31 December, 2014: 7.20%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.75% (31 December 2014: 1.61%) and 2.89% (31 December 2014: 2.76%) 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 2015 is a positive amount of Euros 82,256,000 (31 December 2014: a positive amount of Euros 107,614,000), and includes a receivable amount of Euros 46,000 (31 December 2014: a payable amount of Euros 54,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2015, 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	-0.30%	0.55%	0.47%	1.50%
7 days	-0.30%	0.56%	0.48%	1.50%
1 month	-0.23%	0.63%	0.54%	1.55%
2 months	-0.20%	0.67%	0.62%	1.59%
3 months	-0.17%	0.75%	0.70%	1.62%
6 months	-0.10%	0.94%	0.83%	1.67%
9 months	-0.04%	1.12%	0.96%	1.68%
1 year	-0.06%	0.85%	1.10%	1.58%
2 years	-0.03%	1.15%	1.09%	1.65%
3 years	0.06%	1.38%	1.30%	1.74%
5 years	0.33%	1.70%	1.58%	1.99%
7 years	0.62%	1.93%	1.79%	2.21%
10 years	1.00%	2.17%	2.00%	2.43%
15 years	1.40%	2.40%	2.17%	2.71%
20 years	1.57%	2.51%	2.20%	2.73%
30 years	1.61%	2.60%	2.16%	2.73%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2015:

(Thousands 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	-	-	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	-	-	767,374	767,374	791,435
Loans and advances to customers	-	-	35,105,791	35,105,791	34,831,924
Financial assets held for trading	999,658	-	-	999,658	999,658
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	152,018	152,018
Financial assets available for sale	-	6,772,806	-	6,772,806	6,772,806
Hedging derivatives	39,264	-	-	39,264	39,264
Held to maturity financial assets	-	-	427,363	427,363	423,599
	1,190,940	6,772,806	36,978,583	44,942,329	44,688,759
Deposits from credit institutions	-	-	8,280,004	8,280,004	8,437,741
Amounts owed to customers	3,617,491	-	31,533,263	35,150,754	35,776,428
Debt securities	715,598	-	3,264,263	3,979,861	4,062,117
Financial liabilities held for trading	644,931	-	-	644,931	644,931
Hedging derivatives	40,923	-	-	40,923	40,923
Subordinated debt	-	-	1,530,190	1,530,190	1,436,318
	5,018,943	-	44,607,720	49,626,663	50,398,458

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 December 2014:

(Thousands of Euros)

	2014				
	Fair value through profit or loss	Fair value through reserves	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks	-	-	532,837	532,837	532,837
Loans and advances to credit institutions					
Repayable on demand	-	-	223,937	223,937	223,937
Other loans and advances	-	-	1,268,991	1,268,991	1,289,985
Loans and advances to customers	-	-	36,760,931	36,760,931	36,464,452
Financial assets held for trading	1,336,286	-	-	1,336,286	1,336,286
Financial assets available for sale	-	5,515,871	-	5,515,871	5,515,871
Hedging derivatives	53,157	-	-	53,157	53,157
Held to maturity financial assets	-	-	2,311,181	2,311,181	2,547,752
	1,389,443	5,515,871	41,097,877	48,003,191	47,964,277
Deposits from other credit institutions	-	-	10,721,087	10,721,087	10,873,588
Amounts owed to customers	1,918,419	-	33,137,479	35,055,898	35,820,671
Debt securities	592,443	-	3,995,745	4,588,188	4,695,802
Financial liabilities held for trading	806,480	-	-	806,480	806,480
Hedging derivatives	28,547	-	-	28,547	28,547
Subordinated debt	-	-	2,019,364	2,019,364	2,237,936
	3,345,889	-	49,873,675	53,219,564	54,463,024

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				
	Level 1	Level 2	Level 3	Financial instruments at cost	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	-	-	34,831,924	-	34,831,924
Financial assets held for trading	218,347	609,055	172,256	-	999,658
Other financial assets held for trading at fair value through profit or loss	152,018	-	-	-	152,018
Financial assets available for sale	4,271,090	184,727	2,253,838	63,151	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	38,049,453	63,151	44,688,759
Deposits from credit institutions	-	-	8,437,741	-	8,437,741
Amounts owed to 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	5,597,725	44,230,677	-	50,398,458

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Bank, as at 31 December 2014:

(Thousands of Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Cash and deposits at Central Banks	532,837	-	-	-	532,837
Loans and advances to credit institutions					
Repayable on demand	223,937	-	-	-	223,937
Other loans and advances	-	-	1,289,985	-	1,289,985
Loans and advances to customers	-	-	36,464,452	-	36,464,452
Financial assets held for trading	439,791	896,495	-	-	1,336,286
Financial assets available for sale	3,100,089	208,710	2,127,157	79,915	5,515,871
Hedging derivatives	-	53,157	-	-	53,157
Held to maturity financial assets	2,172,301	375,451	-	-	2,547,752
	6,468,955	1,533,813	39,881,594	79,915	47,964,277
Deposits from credit institutions	-	-	10,873,588	-	10,873,588
Amounts owed to customers	-	-	35,820,671	-	35,820,671
Debt securities	392,528	4,303,274	-	-	4,695,802
Financial liabilities held for trading	81,568	716,410	8,502	-	806,480
Hedging derivatives	-	28,547	-	-	28,547
Subordinated debt	-	2,237,936	-	-	2,237,936
	474,096	7,286,167	46,702,761	-	54,463,024

The Bank uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets or liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.
- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.
- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use to evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Bank considers an active market in which transactions of the financial instrument occur with sufficient frequency and volume to provide prices information on an ongoing basis, and for this purpose should verify the following conditions:

- existence of frequent daily prices trading in the last year;
- the above quotations are exchanged regularly;
- there executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market if the following conditions are met:

- if its value is determined in an active market; or
- if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes; or
- the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

46. 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 2015 and 2014, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	2015	2014
NUMBER OF PARTICIPANTS		
Pensioners	**16,419**	16,323
Former Attendees Acquired Rights	**3,216**	3,065
Employees	**7,546**	7,857
	27,181	27,245

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)

	2015	2014
PROJECTED BENEFIT OBLIGATIONS		
Pensioners	**1,860,726**	1,831,928
Former Attendees Acquired Rights	**206,892**	183,598
Employees	**1,041,416**	1,086,910
	3,109,034	3,102,436
Pension Fund Value	**(3,130,932)**	(3,063,737)
NET (ASSETS) / LIABILITIES IN BALANCE SHEET	**(21,898)**	38,699
Accumulated actuarial losses recognised in Other comprehensive income	**3,016,496**	2,907,826

The change in the projected benefit obligations is analysed as follows:

(Thousands of Euros)

	2015			2014
	Pension benefit obligations	**Extra-Fund**	**Total**	Total
BALANCE AS AT 1 JANUARY	**2,759,893**	**342,543**	**3,102,436**	2,512,776
Service cost	**(2,117)**	**199**	**(1,918)**	(4,353)
Interest cost / (income)	**68,204**	**8,291**	**76,495**	96,705
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	**(687)**	**49**	**(638)**	887
Arising from changes in actuarial assumptions	**-**	**-**	**-**	566,596
Transfers of the Fund's liabilities (death subsidy)	**18,233**	**(18,233)**	**-**	-
Payments	**(65,571)**	**(21,852)**	**(87,423)**	(79,198)
Early retirement programmes	**6,769**	**(123)**	**6,646**	1,234
Contributions of employees	**8,557**	**-**	**8,557**	9,574
Transfer to other plans	**4,879**	**-**	**4,879**	(1,785)
BALANCE AT THE END OF THE YEAR	**2,798,160**	**310,874**	**3,109,034**	3,102,436

As at 31 December 2015 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 65,571,000 (31 December 2014: Euros 57,177,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2015, to the amount of Euros 328,543,000 (31 December 2014: Euros 296,814,000).

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2015 amounts to Euros 74,453,000 (31 December 2014: Euros 78,406,000), in order to pay:

i) pensions of former Bank's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree-Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

The change in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE AS AT 1 JANUARY	**3,063,737**	2,525,239
Expected return on plan assets	**70,789**	93,589
Actuarial gains and (losses)	**(109,308)**	96,306
Contributions to the Fund	**151,800**	395,200
Payments	**(65,571)**	(57,177)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**5,853**	2,791
Employees' contributions	**8,557**	9,574
Transfers to other plans	**5,075**	(1,785)
BALANCE AT THE END OF THE YEAR	**3,130,932**	3,063,737

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of Euros)

	2015	2014
Shares	**647,208**	738,674
Bonds and other fixed income securities	**1,305,349**	898,878
Participations units in investment funds	**122,664**	188,294
Participation units in real estate funds	**238,123**	271,856
Properties	**299,634**	299,173
Loans and advances to credit institutions and others	**517,954**	666,862
	3,130,932	3,063,737

The balance Properties includes buildings owned by the Fund and used by the Bank's companies which as at 31 December 2015, amounts to Euros 298,958,000 (31 December 2014: Euros 298,497,000).

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of Euros)

	2015	2014
Bonds and other fixed income securities	**128,900**	128,694
Loans and advances to credit institutions and others	**520,176**	643,547
	649,076	772,241

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

(Thousands of Euros)

	2015	2014
BALANCE AS AT 1 JANUARY	**38,699**	(12,463)
RECOGNISED IN THE INCOME STATEMENT:		
Service cost	**(1,918)**	(4,353)
Interest cost / (income)	**5,706**	3,116
Cost with early retirement programs	**6,646**	1,234
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**(5,853)**	(2,791)
RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	**109,308**	(96,306)
Difference between expected and effective obligations	**(638)**	887
Arising from changes in actuarial assumptions	**-**	566,596
CONTRIBUTIONS TO THE FUND	**(151,800)**	(395,200)
PAYMENTS	**(22,048)**	(22,021)
BALANCE AT THE END OF THE YEAR	**(21,898)**	38,699

As at 31 December 2015, the sum of the balance Cost with early retirement programs in the amount of Euros 6,646,000 (31 December 2014: Euros 1,234,000), and balance Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan, a gain of Euros 5,853,000 (31 December 2014: a gain of Euros 2,791,000), were recognised against the restructuring provision, as referred in note 37.

As at 31 December 2015, the Bank made contributions in cash to the Pension Fund in the amount of Euros 151,800,000 (31 December 2014: Euros 395,200,000).

In accordance with IAS 19, as at 31 December 2015, the Bank accounted post-employment benefits as a cost in the amount of Euros 3,788,000 (31 December 2014: income of Euros 1,237,000), which is analysed as follows:

(Thousands of Euros)

	2015	2014
Service cost	**(1,918)**	(4,353)
Net interest cost / (income) in the liability coverage balance	**5,706**	3,116
(Income) / Cost of the year	**3,788**	(1,237)

As the Board Members 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.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Bank recognised a provision of Euros 4,245,000 (31 December 2014: Euros 3,153,000). As referred in note 37, the changes occurred resulted from the future updates in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

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)

	2015	2014
BALANCE AS AT 1 JANUARY	**3,153**	4,176
Charge / (Write-back)	**1,092**	(1,023)
BALANCE AT THE END OF THE YEAR	**4,245**	3,153

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 Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	Banco Comercial Português Fund	
	2015	2014
Increase in future compensation levels	**0.75% until 2017 1% after 2017**	0.75% until 2017 1% after 2017
Rate of pensions increase	**0% until 2017 0.5% after 2017**	0% until 2017 0.5% after 2017
Projected rate of return of plan assets	**2.50%**	2.50%
Discount rate	**2.50%**	2.50%
Mortality tables		
Men	**TV 73/77 - 2 years**	TV 73/77 - 2 years
Women	**TV 88/90 - 3 years**	TV 88/90 - 3 years
Disability rate	**0.00%**	0.00%
Turnover rate	**0.00%**	0.00%
Costs with health benefits increase rate	**6.50%**	6.50%

The mortality tables consider an age inferior to the effective age of the beneficiaries, two years for men and three years for women, which results in a higher average life expectancy.

The assumptions used on the calculation of the employee benefits are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

The determination of the discount rate took into account: (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

The Bank taking into consideration: (i) the positive deviations observed in the last financial year and (ii) the current trend of wages evolution and the economic situation at this time, determined a growth rate of wages progressive of 0.75% by 2017 and 1.00% from 2017 and a growth rate of pensions from 0.00% by 2017 and 0.50% from 2017.

In accordance with the requirements of IAS 19, the rate of return on plan assets considered in the calculation of the present value of the liabilities corresponds to the discount rate.

However, the estimated expected return for 2016 is presented below, based on the 31 December 2015 portfolio:

Asset class	Portfolio %	Estimated return
Shares	20.67%	8.90%
Bonds and other fixed income securities	41.69%	1.38%
Participation units in investment funds	3.92%	2.91%
Participation units in real estate funds	7.61%	0.06%
Properties	9.57%	6.58%
Loans and advances to credit institutions and others	16.54%	1.06%
TOTAL INCOME EXPECTED		3.34%

Net actuarial losses amounts to Euros 108,670,000 (31 December 2014: net actuarial losses of Euros 471,177,000) are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains) / losses			
	2015		2014	
	Values effectively verified in %	**Euros '000**	Values effectively verified in %	Euros '000
DEVIATION BETWEEN EXPECTED AND ACTUAL LIABILITIES:				
Increase in future compensation levels	**-**	**-**	0.74%	(2,452)
Disability	**-**	**-**	0.12%	2,935
Mortality deviations	**-**	**-**	0.24%	6,025
Others	**-**	**(638)**	-0.22%	(5,621)
CHANGES ON THE ASSUMPTIONS:				
Discount rate	**-**	**-**	2.50%	758,899
Increase in future compensation levels	**-**	**-**	-	(120,352)
Pensions increase rate	**-**	**-**	-	(150,273)
Mortality tables	**-**	**-**		78,322
RETURN ON PLAN ASSETS	**0.46%**	**109,308**	8.14%	(96,306)
		108,670		471,177

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			
	2015		2014	
	- 0.25%	**+ 0.25%**	- 0.25%	+ 0.25%
Discount rate	**137,976**	**(129,552)**	134,082	(127,443)
Pensions increase rate	**(129,673)**	**136,710**	(104,916)	111,426
Increase in future compensation levels	**(43,166)**	**45,327**	(48,152)	50,707

(Thousands of Euros)

	Impact resulting from changes in demographic assumptions			
	2015		2014	
	- 1 year	**+ 1 year**	- 1 year	+ 1 year
Mortality table	**92,120**	**(92,703)**	91,089	(91,668)

Health benefit costs have a significant impact on pension costs. Considering this impact the Bank performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5%) and a negative variation (from 6.5% to 5.5%) in health benefit costs, which impact is analysed as follows:

(Thousands of Euros)

	2015		2014	
	Positive variation of 1% (6.5% to 7.5%)	**Negative variation of 1% (6.5% to 5.5%)**	Positive variation of 1% (6.5% to 7.5%)	Negative variation of 1% (6.5% to 5.5%)
Pension cost impact	**549**	**(549)**	573	(573)
Liability impact	**49,827**	**(49,827)**	50,606	(50,606)

The liabilities related to the seniority premium are not covered by the Bank's Pension Fund because they are not considered post-employment liabilities. As at 31 December, 2015, the liabilities associated with the seniority premium amounts to Euros 45,368,000 (31 December 2014: Euros 46,904,000) and are covered by provisions in the same amount.

For 2015 and 2014, the cost of the seniority premium is analysed as follows:

(Thousands of Euros)

	2015	2014
Service cost	**2,368**	2,449
Interest costs	**1,124**	1,832
Actuarial (gains) and losses	**(1,284)**	(550)
Cost of the year	**2,208**	3,731

47. RELATED PARTIES

As defined by IAS 24, are considered related parties of the Bank, the companies detailed in note 54 – 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 Articles 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 38.

a) Transactions with qualified shareholders

As at 31 December 2015, the transactions with qualified shareholders are as follows:

(Thousands of Euros)

	2015			
	Loans and advances to customers	Financial assets (Securities and derivatives)	Deposits from credit institutions	Deposits from customers
Sonangol Group	3	-	-	414
Sabadell Group	-	29,087	810	-
EDP Group	63,533	94,556	-	12,596
	63,536	123,643	810	13,010

As at 31December 2014, transactions with qualified shareholders are as follows:

(Thousands of Euros)

	2014						
	Loans and advances to customers	Financial assets (Securities and derivatives)	Deposits from credit institutions	Deposits from customers	Debt securities issued	Financial Liabilities (Derivatives)	Subordinated debt
Sonangol Group	800	-	-	735	-	-	-
Sabadell Group	1	35,997	101,408	-	-	-	-
EDP Group	69,007	22,214	-	191,958	-	-	-
Interoceânico Group	14	-	-	350	-	-	-
Ageas Group	643	51,437	-	625,109	1,730,090	152,327	475,205
	70,465	109,648	101,408	818,152	1,730,090	152,327	476,205

As at 31December 2014, the Bank had an amount of Euros 12,952 in the balance Other Assets related to Ageas Group.

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in income items of the Income Statement, are as follows:

(Thousands of Euros)

	Interest and similar income		Commissions income	
	2015	2014	**2015**	2014
Sonangol Group	**7**	15	**31**	14
Sabadell Group	**1,765**	1,919	**88**	96
EDP Group	**3,540**	10,247	**1,959**	3,028
Interoceânico Group	**-**	-	**-**	164
Ageas Group	**-**	-	**-**	61,682
	5,312	12,181	**2,078**	64,984

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in expenses items of the Income Statement, are as follows:

(Thousands of Euros)

	Interest and similar expenses		Commissions expenses	
	2015	2014	**2015**	2014
Sonangol Group	**7**	20	**1**	1
Sabadell Group	**-**	1	**-**	-
EDP Group	**832**	9,931	**36**	9
Ageas Group	**-**	90,055	**-**	-
	839	100,007	**37**	10

As at 31 December 2015 and 2014, the balances with qualified shareholders, reflected in the guarantees granted and credit lines revocable and irrevocable, are as follows:

(Thousands of Euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	2015	2014	**2015**	2014	**2015**	2014
Sonangol Group	**1,522**	3	**157**	110	**-**	-
Sabadell Group	**8,668**	8,838	**10**	9	**-**	-
EDP Group	**29,366**	173,824	**53,804**	64,397	**150,000**	-
Interoceânico Group	**-**	3,178	**-**	11,088	**-**	-
Ageas Group	**-**	548	**-**	23,250	**-**	-
	39,556	186,391	**53,971**	98,854	**150,000**	-

b) Transactions with members of the Board of Directors and Key management members

As at 31 December 2015, the balances with related parties discriminated in the following table, included in asset items on the balance sheet, are analysed as follows:

(Thousands of Euros)

	2015			
	Loans and advances to credit institutions	Loans and advances to customers	Financial assets (Derivatives)	Total
BOARD OF DIRECTORS				
Non-executive directors	-	26	-	26
Executive Committee	-	159	-	159
Closely related people	-	20	-	20
Controlled entities	105,067	-	27	105,094
KEY MANAGEMENT MEMBERS				
Key management members	-	6,950	-	6,950
Closely related people	-	272	-	272
Controlled entities	-	302	-	302
	105,067	7,729	27	112,823

As at 31 December 2014, the balances with related parties discriminated in the following table, included in asset items on the balance sheet, are analysed as follows:

(Thousands of Euros)

	2014		
	Loans and advances to credit institutions	Loans and advances to customers	Total
BOARD OF DIRECTORS			
Non-executive directors	-	20	20
Executive Committee	-	129	129
Closely related people	-	7	7
Controlled entities	30,537	994	31,531
KEY MANAGEMENT MEMBERS			
Key management members	-	8,274	8,274
Closely related people	-	293	293
Controlled entities	-	22	22
	30,537	9,739	40,276

As at 31 December 2015 and 2014, the balances with related parties discriminated in the following table, included in liabilities items in the balance sheet, are analysed as follows:

(Thousands of Euros)

	Deposits from credit institutions		Deposits from customers		Financial Liabilities (Derivatives)	
	2015	2014	**2015**	2014	**2015**	2014
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**3,454**	2,759	**-**	-
Executive Committee	**-**	-	**1,336**	391	**-**	-
Closely related people	**-**	-	**1,825**	1,879	**-**	-
Controlled entities	**39,510**	155,809	**3,846**	500	**9**	553
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**3,152**	3,960	**-**	-
Closely related people	**-**	-	**1,327**	1,096	**-**	-
Controlled entities	**-**	-	**174**	198	**-**	-
	39,510	155,809	**15,114**	10,783	**9**	553

As at 31 December 2015 and 2014, 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	
	2015	2014	**2015**	2014
BOARD OF DIRECTORS				
Non-executive directors	**-**	-	**99**	73
Executive Committee	**-**	-	**21**	15
Closely related people	**-**	-	**19**	8
Controlled entities	**1,087**	911	**513**	333
KEY MANAGEMENT MEMBERS				
Key management members	**59**	69	**49**	72
Closely related people	**10**	20	**13**	15
Controlled entities	**4**	1	**10**	2
	1,160	1,001	**724**	518

As at 31 December 2015 and 2014, 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	
	2015	2014	**2015**	2014
BOARD OF DIRECTORS				
Non-executive directors	**39**	69	**2**	1
Executive Committee	**17**	30	**1**	-
Closely related people	**20**	14	**1**	-
Controlled entities	**142**	187	**13**	2
KEY MANAGEMENT MEMBERS				
Key management members	**97**	148	**2**	2
Closely related people	**14**	22	**1**	4
Controlled entities	**4**	2	**3**	1
	333	472	**23**	10

As at 31 December 2015 and 2014, guarantees and commitments to third parties granted by the Bank to the following related parties are as follows:

(Thousands of Euros)

	Guarantees granted		Revocable credit lines		Irrevocable credit lines	
	2015	2014	**2015**	2014	**2015**	2014
BOARD OF DIRECTORS						
Non-executive directors	**-**	-	**126**	201	**-**	35
Executive Committee	**-**	-	**124**	121	**-**	-
Closely related people	**-**	-	**126**	78	**-**	5
Controlled entities	**-**	412	**55**	87	**-**	-
KEY MANAGEMENT MEMBERS						
Key management members	**-**	-	**515**	642	**74**	41
Closely related people	**-**	-	**172**	227	**-**	-
Controlled entities	**-**	-	**14**	5	**-**	-
	-	412	**1,132**	1,361	**74**	81

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	
	2015	2014	**2015**	2014	**2015**	2014
Remunerations	**2,073**	2,080	**578**	577	**5,394**	7,757
Supplementary retirement pension	**1,205**	702	**-**	-	**-**	-
Pension Fund	**19**	25	**-**	-	**61**	43
Other mandatory social security charges	**531**	468	**137**	152	**1,479**	1,918
Seniority premium	**44**	-	**-**	-	**143**	181
	3,872	3,275	**715**	729	**7,077**	9,899

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank.

During 2015, the amount of remuneration paid to the Executive Committee includes Euros 103,000 (2014: Euros 101,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests, and has been regularized in early 2016, the amount of Euro 63,000, as mentioned in paragraph 77 of the "Corporate Governance Report".

During 2015 and 2014, no variable remuneration was attributed to the members of the Executive Committee.

During 2015, were paid Euros 4,729,000 (2014: Euros 929,000) of severance pay to some key management 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:

Shareholders / Bondholders	Security	Number of securities at 31/12/2015	Number of securities at 31/12/2014	Changes during 2015 Acquisitions	Changes during 2015 Disposals	Changes during 2015 Date	Changes during 2015 Unit Price Euros
MEMBERS OF BOARD OF DIRECTORS							
António Vítor Martins Monteiro (i)	BCP Shares	**18,119**	18,119				
Carlos José da Silva	BCP Shares	**1,165,812**	1,165,812				
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	**0**	30		30	13/Mar/15	
Nuno Manuel da Silva Amado	BCP Shares	**3,824,650**	3,824,650				
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	**0**	0				
André Magalhães Luiz Gomes	BCP Shares	**53,451**	53,451				
António Henriques Pinho Cardão (ii)	BCP Shares	**772,843**	772,843				
António Luís Guerra Nunes Mexia	BCP Shares	**11,330**	11,330				
Bernardo de Sá Braamcamp Sobral Sottomayor	BCP Shares	**0**	0				
Cidália Maria Mota Lopes	BCP Shares	**10,247**	10,247				
Jaime de Macedo Santos Bastos	BCP Shares	**4,037**	4,037				
João Bernardo Bastos Mendes Resende	BCP Shares	**0**	0				
João Manuel Matos Loureiro	BCP Shares	**13,180**	13,180				
José Jacinto Iglésias Soares	BCP Shares	**1,156,004**	1,056,004	100,000		14/Sep/15	0.0492
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	**20,879**	20,879				
José Rodrigues de Jesus	BCP Shares	**0**	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	**275,002**	275,002				
Miguel de Campos Pereira de Bragança	BCP Shares	**1,715,485**	1,715,485				
Miguel Maya Dias Pinheiro	BCP Shares	**1,694,099**	1,694,099				
Raquel Rute da Costa David Vunge (iii)	BCP Shares	**0**	0				
Rui Manuel da Silva Teixeira (iv)	BCP Shares	**170,389**	170,389				
TOP MANAGEMENT							
Albino António Carneiro de Andrade	BCP Shares	**0**	0				
Américo João Pinto Carola (v)	BCP Shares	**37,745**	37,745				
Ana Isabel dos Santos de Pina Cabral (vi)	BCP Shares	**182,953**	182,953				
Ana Maria Jordão F. Torres Marques Tavares (vii)	BCP Shares	**713,055**	713,055				
Ana Sofia Costa Raposo Preto	BCP Shares	**9,553**	9,553				
André Cardoso Meneses Navarro	BCP Shares	**1,255,739**	1,255,739				
António Augusto AMaral de Medeiros	BCP Shares	**200,000**	200,000				
António Ferreira Pinto Júnior	BCP Shares	**100,000**	56,307	18,693		06/Jul/15	0.0720
	BCP Shares			25,000		02/Sep/15	0.0610
António Luís Duarte Bandeira (viii)	BCP Shares	**500,008**	480,008	10,000		01/Apr/15	0.0890
	BCP Shares			10,000		09/Sep/15	0.0540
Artur Frederico Silva Luna Pais	BCP Shares	**1,503,611**	1,503,611				
Belmira Abreu Cabral	BCP Shares	**90,458**	90,458				
Carlos Alberto Alves	BCP Shares	**500,002**	500,002				
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	**137,500**	137,500				
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	**143,335**	143,335				
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	**0**	0				
Francisco António Caspa Monteiro	BCP Shares	**222,365**	222,365				
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	**275**	275				

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		Number of securities at		Changes during 2015			
Shareholders / Bondholders	Security	**31/12/2015**	31/12/2014	Acquisitions	Disposals	Date	Unit Price Euros
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	**10,683**	10,683				
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	**7,518**	7,518				
Jorge Manuel Machado de Sousa Góis	BCP Shares	**0**	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	**4,080,000**	0	4,080,000		15/Sep/15	0.0488
Luis Miguel Manso Correia dos Santos	BCP Shares	**100,000**	100,000				
Maria Manuela Correia Duro Teixeira	BCP Shares	**0**	0				
Maria Manuela de Araújo Mesquita Reis	BCP Shares	**390,000**	250,000	20,000		28/Jan/15	0.0625
					20,000	27/Fev/15	0.0825
				20,000		03/Sep/15	0.0591
				10,000		03/Sep/15	0.0577
				10,000		04/Sep/15	0.0565
				10,000		07/Sep/15	0.0551
				50,000		14/Sep/15	0.0506
				20,000		28/Sep/15	0.0462
				20,000		10/Nov/15	0.0451
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	**0**	0				
Mário António Pinho Gaspar Neves	BCP Shares	**139,000**	88,999	50,001		10/Sep/15	0.0515
	Certificates BCPI S6P 500	**193**	193				
	Certificates BCPI Eurostox 50	**187**	187				
	Certificates BCPI DAX 30	**55**	0	55		11/Fev/15	107.5400
	Certificates BCP Nikkei	**11**	0	11		11/Fev/15	176.5300
	Certificado BCP Nasdaq	**0**	0	46		11/Fev/15	42.8100
					46	06/Nov/15	46.8000
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	**1,000,000**	875,000	125,000		30/Nov/15	0.0509
Nelson Luís Vieira Teixeira	BCP Shares	**21,420**	21,420				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	**135,000**	135,000				
Pedro José Mora de Paiva Beija	BCP Shares	**0**	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	**0**	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	**69,412**	69,412				
Ricardo Potes Valadares	BCP Shares	**102,986**	102,986				
Robert Gijsbert Swalef	BCP Shares	**225,000**	225,000				
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	**90,342**	90,342				
Rui Fernando da Silva Teixeira	BCP Shares	**946,059**	946,059				
Rui Manuel Pereira Pedro	BCP Shares	**700,000**	700,000				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	**0**	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	**0**	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	**0**	0				

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(continuation)

Shareholders / Bondholders	Security	Number of securities at 31/12/2015	31/12/2014	Changes during 2015 Acquisitions	Disposals	Date	Unit Price Euros
PERSONS CLOSELY RELATED TO THE PREVIOUS CATEGORIES							
Ana Isabel Salgueiro Antunes (v)	BCP Shares	**2,217**	2,217				
Ana Margarida Rebelo A.M. Soares Bandeira (viii)	BCP Shares	**14,000**	0	14,000		16/Jan/15	0,0689
Eusébio Domingos Vunge (iii)	BCP Shares	**51,859**	0	51,859		12/Jun/15	0.0834
	Subordinated Bonds - BCP 2010/2020	**0**	5		5	12/Jun/15	865.0000
	Certific BCPi DAX 30	**46**	0	46		16/Fev/15	109.4600
	Certific BCPi EUROSTOXX 50	**142**	0	142		09/Jun/15	35.0900
	Particip. Units - IMGA Prestige Conservador	**1,343**	0	1,343		13/Fev/15	8.9358
Francisco Jordão Torres Marques Tavares (vii)	BCP Shares	**4,586**	4,586				
Isabel Maria V. Leite P. Martins Monteiro (i)	BCP Shares	**14,605**	14,605				
João Paulo Fernandes de Pinho Cardão (ii)	BCP Shares	**340,970**	340,970				
José Manuel de Vasconcelos Mendes Ferreira (vi)	BCP Shares	**12,586**	12,586				
Luís Miguel Fernandes de Pinho Cardão (ii)	BCP Shares	**14,550**	14,550				
Maria Avelina V. C. L. J. Teixeira Diniz (viii)	BCP Shares	**182,528**	182,528				
Maria da Graça dos Santos Fernandes de Pinho Cardão (ii)	BCP Shares	**28,833**	28,833				
Maria Helena Espassandim Catão (iv)	BCP Shares	**2,750**	2,750				

c) Transactions with associated companies

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

(continues)

(continuation) (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
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

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)

	Deposits from Credit Institutions	Deposits from Customers	Debt Securities Issued	Financial liabilities held for trading	Subordinated Debt	Other Debt	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

(continues)

(continuation) (Thousands of Euros)

	Deposits from Credit Institutions	Deposits from Customers	Debt Securities Issued	Financial liabilities held for trading	Subordinated Debt	Other Debt	Total
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. (Grupo)	-	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 included in Income items of the income statement, 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

(continues)

(continuation) (Thousands of Euros)

	Interest and similar income	Commissions income	Other operating income	Gains arising from trading activity	Total
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. (Grupo)	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 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.	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

(continues)

(continuation) (Thousands of Euros)

	Interest expense and similar charges	Commissions expense	Other operating costs	Administrative costs	Losses arising from trading activity	Total
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. (Grupo)	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

The balance Interest expense and similar charges includes for Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Group), the amount of Euros 22,887,000 related to interests from debt securities issued and the amount of Euros 30,896,000 related to interests from Subordinated debt.

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	Revocable 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. (Grupo)	85	-	85
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	471,103	840,959

As at 31 December 2014, 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.	-	-	772	-	-	-	-	772
Banco ActivoBank, S.A.	-	-	-	-	-	-	20	20
Banco de Investimento Imobiliário, S.A.	-	125,096	-	247	-	-	-	125,343
Banco Millennium Angola, S.A.	-	126,330	-	-	-	-	7,428	133,758
BCP Capital – Sociedade de Capital de Risco, S.A.	-	-	-	-	-	-	1	1
BCP Finance Bank Ltd	-	26	-	751	4,178	-	-	4,955
BCP Investment, B.V.	-	-	58,413	-	-	-	-	58,413
BIM – Banco Internacional de Moçambique, S.A.R.L.	197	-	-	-	-	-	5,285	5,482
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	1	1
Fundo de Investimento Imobiliário Fechado Gestimo	-	-	328	-	-	-	2	330
Fundo de Investimento Imobiliário Imorenda	-	-	-	-	-	-	745	745
Fundo de Investimento Imobiliário Imosotto Acumulação	-	-	-	-	-	-	262	262
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	-	-	-	-	-	1	1
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	-	-	1,065	-	-	-	1	1,066
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	-	-	1,065	-	-	-	1	1,066
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	31	17,048	-	-	-	-	-	17,079
Imábida – Imobiliária da Arrábida, S.A.	-	-	-	-	-	38,227	38,227	76,454
Imoport – Fundo de Investimento Imobiliário Fechado	-	-	-	-	-	-	3	3
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	-	-	-	-	-	41	41
Irgossai – Urbanização e construção, S.A.	-	-	-	-	-	67,194	91,988	159,182
Luanda Waterfront Corporation	-	-	-	-	-	-	27	27
Magellan Mortgages No. 2 PLC	-	-	-	-	20,796	-	-	20,796
Magellan Mortgages No. 3 PLC	-	-	-	7,236	105,451	-	-	112,687
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	-	-	598	598
Millennium bcp – Prestação de Serviços, A.C.E.	-	-	-	-	-	-	25,824	25,824
Millennium bcp Bank & Trust	-	121	-	9,349	-	-	-	9,470

(continues)

(continuation) (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
Millennium bcp Imobiliária, S.A.	-	-	-	-	-	-	51,295	51,295
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	-	133	-	-	-	439,004	439,137
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	-	-	-	-	-	2	2
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)(*)	-	-	643	51,437	-	-	12,952	65,032
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	-	-	-	-	-	4	4
Nanium, S.A.	-	-	18,743	-	-	-	13,621	32,364
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	-	-	-	-	-	-	16,089	16,089
QPR Investimentos, S.A.	-	-	-	-	-	31,825	31,825	63,650
Unicre – Instituição Financeira de Crédito, S.A.	-	403	-	-	-	-	-	403
	228	269,024	81,162	69,020	130,425	137,246	735,256	1,422,361

(*) 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 2014, the balances with subsidiary and associated companies included in Liabilities items of the balance sheet are as follows:

(Thousands of Euros)

	Deposits from Credit Institutions	Deposits 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.	35,821	-	-	-	-	6,467	42,288
Banco de Investimento Imobiliário, S.A.	363,497	-	-	-	28,796	12,396	404,689
Banco Millennium Angola, S.A.	692	-	-	-	-	-	692
Banque BCP (Luxembourg), S.A.	229	-	-	-	-	-	229
Banque BCP, S.A.S.	104,031	-	-	-	-	-	104,031
Banque Privée BCP (Suisse) S.A.	17,007	-	-	-	-	3,451	20,458
BCP África, S.G.P.S., Lda.	-	15,491	-	-	-	-	15,491
BCP Capital – Sociedade de Capital de Risco, S.A.	-	9,984	-	-	-	92	10,076
BCP Finance Bank Ltd	567,511	-	-	1,659	71,276	-	640,446
BCP Finance Company, Ltd	-	89,274	-	-	190,678	-	279,952
BCP Holdings (USA), Inc.	-	1,782	-	-	-	-	1,782
BCP Investment, B.V.	-	462,098	-	-	-	-	462,098
BII Investimentos International, S.A.	-	-	-	-	-	7	7
BIM – Banco Internacional de Moçambique, S.A.R.L.	5,600	-	-	-	-	10	5,610
Bitalpart, B.V.	-	8,019	-	-	-	-	8,019

(continues)

(continuation) (Thousands of Euros)

	Deposits from Credit Institutions	Deposits from Customers	Debt Securities Issued	Financial liabilities held for trading	Subordinated Debt	Other Liabilities	Total
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	394	-	-	-	-	394
Flitptrell III, S.A.	-	3	-	-	-	-	3
Fundial – Fundo Especial de Investimento Imobiliário Fechado	-	465	-	-	-	-	465
Fundo de Investimento Imobiliário Fechado Gestimo	-	208	-	-	-	-	208
Fundo de Investimento Imobiliário Gestão Imobiliária	-	654	-	-	-	-	654
Fundo de Investimento Imobiliário Imorenda	-	9,559	-	-	-	-	9,559
Fundo de Investimento Imobiliário Imosotto Acumulação	-	67,411	-	-	-	-	67,411
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	342	-	-	-	-	342
Fundo Especial de Investimento Imobiliário Oceânico II	-	1,563	-	-	-	-	1,563
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	515	-	-	-	10	525
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	16	-	-	-	-	16
Bank Millennium (Poland) Group	6,871	-	-	-	-	-	6,871
Imábida – Imobiliária da Arrábida, S.A.	-	17	-	-	-	-	17
Imoport – Fundo de Investimento Imobiliário Fechado	-	613	-	-	-	-	613
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	5,794	-	-	-	-	5,794
Irgossai – Urbanização e construção, S.A.	-	24,734	-	-	-	-	24,734
M Inovação – Fundo de Capital de Risco BCP Capital	-	122	-	-	-	-	122
Millennium bcp – Prestação de Serviços, A.C.E.	-	4,053	-	-	-	3,324	7,377
Millennium bcp Bank & Trust	2,682	-	-	-	-	-	2,682
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	3,961	-	-	-	1	3,962
Millennium bcp Imobiliária, S.A.	-	1,368	-	-	-	-	1,368
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	439,718	-	-	-	-	439,718
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	161	-	-	-	-	161
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	29,010	-	-	-	-	29,010
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	-	625,109	1,730,090	152,327	476,205	-	2,983,731
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	822	-	-	-	-	822
Nanium, S.A.	-	1,714	-	-	-	-	1,714
QPR Investimentos, S.A.	-	3,255	-	-	-	-	3,255
Servitrust – Trust Management Services S.A.	-	638	-	-	-	-	638
SIBS, S.G.P.S., S.A.	-	346	-	-	-	-	346
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	-	1,024	-	-	-	-	1,024
Unicre – Instituição Financeira de Crédito, S.A.	367	-	-	-	-	-	367
VSC – Aluguer de Veículos Sem Condutor, Lda.	-	1,319	-	-	-	-	1,319
	1,104,308	1,811,557	1,730,090	153,986	766,955	25,758	5,592,654

As at 31 December 2014, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. holds 652,087,518 BCP shares in the amount of Euros 42,842,000.

As at 31 December 2014, the balances with subsidiary and associated companies included in Income items of the income statement, 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.	-	-	299	-	299
Banco de Investimento Imobiliário, S.A.	281,303	4	3	320	281,630
Banco Millennium Angola, S.A.	3,033	333	755	-	4,121
Banque Privée BCP (Suisse) S.A.	2	1,069	125	-	1,196
BCP Capital – Sociedade de Capital de Risco, S.A.	-	2	98	-	100
BCP Finance Bank Ltd	9,960	-	-	2,263	12,223
BCP Holdings (USA), Inc.	310	-	-	-	310
BCP Investment, B.V.	201	22	-	-	223
BIM – Banco Internacional de Moçambique, S.A.R.L.	12	44	10,258	-	10,314
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	-	1	-	-	1
Fundial – Fundo Especial de Investimento Imobiliário Fechado	17	2	-	-	19
Fundo de Investimento Imobiliário Fechado Gestimo	23	28	-	-	51
Fundo de Investimento Imobiliário Gestão Imobiliária	-	3	-	-	3
Fundo de Investimento Imobiliário Imorenda	-	212	-	-	212
Fundo de Investimento Imobiliário Imosotto Acumulação	-	345	-	-	345
Fundo Especial de Investimento Imobiliário Fechado Intercapital	-	10	-	-	10
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	61	6	-	-	67
Fundo Especial de Investimento Imobiliário Fechado Stone Capital	61	6	-	-	67
Fundo Especial de Investimento Imobiliário Oceânico II	-	47	-	-	47
Funsita – Fundo Especial de Investimento Imobiliário Fechado	-	20	-	-	20
Grand Urban Investment Fund – Fundo Especial de Investimento Imobiliário Fechado	-	23	-	-	23
Bank Millennium (Poland) Group	138	34	-	-	172
Imoport – Fundo de Investimento Imobiliário Fechado	-	32	-	-	32
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	-	330	158	-	488
M Inovação – Fundo de Capital de Risco BCP Capital	-	1	-	-	1
Magellan Mortgages No. 2 PLC	355	182	-	-	537
Magellan Mortgages No. 3 PLC	2,326	603	-	-	2,929
Millennium bcp – Prestação de Serviços, A.C.E.	-	120	7,178	-	7,298
Millennium bcp Bank & Trust	303	-	-	6,748	7,051
Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	6,720	327	-	7,047
Millennium bcp Imobiliária, S.A.	-	22	-	-	22
Millennium Fundo de Capitalização – Fundo de Capital de Risco	-	7	-	-	7
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	-	61,682	5,533	-	67,215
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	-	71	-	-	71
SIBS, S.G.P.S., S.A.	1	4	-	-	5
Unicre – Instituição Financeira de Crédito, S.A.	782	1,536	-	-	2,318
VSC – Aluguer de Veículos Sem Condutor, Lda.	87	57	58	-	202
	298,975	73,578	24,792	9,331	406,676

As at 31 December 2014, 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	Staff costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	492	7,583	-	(27)		8,048
Banco de Investimento Imobiliário, S.A.	247,499	1,402	-	-	9	248,910
Banco Millennium Angola, S.A.	(77)	-	-	-	-	(77)
Banque Privée BCP (Suisse) S.A.	7	-	-	-	-	7
BCP África, S.G.P.S., Lda.	3	-	-	-	-	3
BCP Capital – Sociedade de Capital de Risco, S.A.	37	-	-	-	-	37
BCP Finance Bank Ltd	20,836	-	-	-	2,926	23,762
BCP Finance Company, Ltd	30,053	-	-	-	-	30,053
BCP Investment, B.V.	4,124	-	-	-	-	4,124
BII Investimentos International, S.A.	-	87	-	-	-	87
BIM – Banco Internacional de Moçambique, S.A.R.L.	22	-	-	-	-	22
Bitalpart, B.V.	1,549	-	-	-	-	1,549
DP Invest – Fundo Especial de Investimento Imobiliário Fechado	1	-	-	-	-	1
Fundo de Investimento Imobiliário Gestão Imobiliária	30	-	-	-	-	30
Fundo de Investimento Imobiliário Imorenda	74	-	-	8,749	-	8,823
Fundo de Investimento Imobiliário Imosotto Acumulação	190	-	-	3,651	-	3,841
Fundo Especial de Investimento Imobiliário Oceânico II	4	-	-	-	-	4
Funsita – Fundo Especial de Investimento Imobiliário Fechado	14	-	-	-	-	14
Bank Millenium (Poland) Group	3	-	-	-	2,022	2,025
Imoport – Fundo de Investimento Imobiliário Fechado	9	-	-	-	-	9
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	64	-	-	-	-	64
Millennium bcp - Prestação de Serviços, A.C.E.	13	-	-	23,816	-	23,829
Millennium bcp Bank & Trust	14,830	-	-	-	3,839	18,669
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	36	-	-	324	-	360
Millennium bcp Imobiliária, S.A.	-	-	-	36	-	36
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	865	-	-	-	-	865
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	-	-	-	185	-	185
Millennium Fundo de Capitalização – Fundo de Capital de Risco	352	-	-	-	-	352
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	90,055	-	2,944	4,326	-	97,325
Multiusos Oriente – Fundo Especial de Investimento Imobiliário Fechado	2	-	-	-	-	2
SIBS, S.G.P.S., S.	42	-	-	-	-	42
Unicre – Instituição Financeira de Crédito, S.A.	-	1	-	-	-	1
	411,129	9,073	2,944	41,060	8,796	473,002

As at 31 December 2014, 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.	-	281,416	281,416
Banco Millennium Angola, S.A.	2,860	36,417	39,277
Banque Privée BCP (Suisse) S.A.	-	300,000	300,000
BCP Finance Bank Ltd	399,736	-	399,736
BCP Finance Company, Ltd	171,175	-	171,175
BIM – Banco Internacional de Moçambique, S.A.R.L.	1,186	-	1,186
Fundo de Investimento Imobiliário Imorenda	-	26,106	26,106
Fundo de Investimento Imobiliário Imosotto Acumulação	-	3,837	3,837
Bank Millenium (Poland) Group	764	-	764
Millennium bcp Gestão de Ativos – Sociedade Gestora de Fundos de Investimento, S.A.	80	-	80
Nanium, S.A.	5,342	39	5,381
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. (Grupo)	548	23,250	23,798
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	22	-	22
	581,713	671,065	1,252,778

As at 31 December 2015 and 2014, the remunerations resulting from the services of insurance intermediation or reinsurance, are as follows:

(Thousands of Euros)

	2015	2014
LIFE INSURANCE		
Saving products	**32,618**	32,353
Mortgage and consumer loans	**19,593**	18,818
Others	**36**	34
	52,247	51,205
NON - LIFE INSURANCE		
Accidents and health	**13,637**	13,012
Motor insurance	**2,789**	2,493
Multi-Risk Housing	**5,139**	4,722
Others	**1,070**	1,042
	22,635	21,269
	74,882	72,474

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)

	2015	2014
BY NATURE		
Funds receivable for payment of life insurance commissions	**12,943**	12,609
Funds receivable for payment of non-life insurance commissions	**5,625**	5,304
	18,568	17,913
BY ENTITY		
Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.	**12,943**	12,609
Ocidental - Companhia Portuguesa de Seguros, S.A.	**5,625**	5,304
	18,568	17,913

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 2015, the Bank sold bonds to the pension fund in the amount of Euros 9,006,000 and purchased to the Pension Fund, Portuguese public debt securities in the amount of Euros 249,020,000 (2014: Euros 420,000,000).

As at 31 December 2015 and 2014, the balances with Pension Fund included in Liabilities items of the balance sheet are as follows:

(Thousands of Euros)

	2015	2014
Deposits from customers	**520,176**	643,547
Subordinated debt	**128,900**	128,694
	649,076	772,241

As at 31 December 2015 and 2014, the balances with Pension Fund included in Income items of the income statement, are as follows:

(Thousands of Euros)

	2015	2014
Commissions	**745**	645

As at 31 December 2015 and 2014, the balances with Pension Fund included in Expenses items of the income statement, are as follows:

(Thousands of Euros)

	2015	2014
Interest expense	**92**	658
Administrative costs	**888**	1.990
	980	2.648

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 December 2015, the amount of Guarantees granted by the Bank to the Pension Fund amounts to Euros 13,593,000 (31 December 2014: Euros 13,593,000).

e) Other transactions

Sale of its 49% in the Non-Life Insurance Business during 2014

During 2014, as part of a process aiming to refocus on core activities, defined as a priority in its Strategic Plan, Banco Comercial Português, S.A. announces that it has agreed with the international insurance group Ageas a partial recast of the strategic partnership agreements entered into in 2004, which included the sale of its 49% interest in the (currently jointly owned) insurance companies that operate exclusively in the non-life insurance business, i.e., "Ocidental – Companhia Portuguesa de Seguros, S.A." and "Médis – Companhia Portuguesa de Seguros de Saúde, S.A.", for a base price of Euros 122,500,000, subject to a medium term performance adjustment. The partners (Ageas and the Bank) have also agreed that the joint venture will upstream excess capital totaling Euros 290,000,000 to its Shareholders.

48. RISK MANAGEMENT

The Bank is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding risk/return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the 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 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 organisational 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 a 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 2015 and 2014 is presented in the following table:

(Thousands of Euros)

Risk items	2015	2014
Central Governments or Central Banks	**3,444,055**	4,340,554
Regional Governments or Local Authorities	**563,321**	288,134
Administrative and non-profit Organisations	**419,763**	368,914
Multilateral Development Banks	**47,987**	80,971
Other Credit Institutions	**2,465,806**	3,111,888
Retail and Corporate customers	**46,413,147**	48,626,348
Other items	**20,141,195**	18,690,951
	73,495,274	75,507,760

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 2015, of the credit granted to entities whose country is one of those identified.

(Thousands of Euros)

		2015					
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2016	37,758	9	12	21	42	117,697
	2017	-	-	-	-	-	58,757
	>2017	47,800	-	-	-	6,000	462,957
		85,558	9	12	21	6,042	639,411
Companies	2016	29,697	-	-	4,669	-	4,248,844
	2017	60,000	-	-	-	-	369,894
	>2017	179,282	35,255	-	143,209	-	6,919,615
		268,979	35,255	-	147,878	-	11,538,353
Retail	2016	71,453	1	-	195	48	2,239,671
	2017	2,944	-	-	20	21	385,280
	>2017	27,769	392	-	48,820	2,433	18,795,006
		102,166	393	-	49,035	2,502	21,419,957
State and otherpublic entities	2016	29	-	-	-	-	1,581,786
	2017	34,500	-	-	-	-	185,076
	>2017	468	-	-	319	50,413	2,216,077
		34,997	-	-	319	50,413	3,982,939
TOTAL COUNTRY		491,700	35,657	12	197,253	58,957	37,580,660

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.

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)

	2015	2014
Generic Risk (VaR)	**1,363**	5,368
Specific Risk	**669**	286
Non Linear Risk	**104**	50
Commodities Risk	**13**	15
Global Risk	**2,149**	5,719

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)

	2015			
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

(Thousands of Euros)

	2014			
Currency	- 200 b.p.	- 100 b.p.	+ 100 b.p.	+ 200 b.p.
CHF	(4)	(4)	103	203
EUR	3,626	(3,780)	76,000	149,380
PLN	(2,077)	(1,040)	1,026	2,039
USD	(4,509)	(3,849)	5,936	11,585
TOTAL	(2,964)	(8,673)	83,065	163,207

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 2014: PLN 1,950,125,000), with the equivalent amount of Euros 535,924,000 (31 December 2014: Euros 456,362,000), 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 Banks's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of the 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 2015 with a value of Euros 10,591,222,000, approximately less Euros 762,923,000 than 2014 figure.

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

(Thousands of Euros)

	2015	2014
European Central Bank	**10,591,222**	11,354,145

As at 31 December 2015, the amount discounted in the European Central Bank amounts to Euros 4,182,510,000 (31 December 2014: Euros 5,932,510,000).

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:

	2015	2014
Accumulated net cash flows up to 1 year as % of total accounting liabilities	**-11.1%**	-8.6%
Liquidity gap as a % of iliquid assets	**8.0%**	10.6%
Coverage ratio of Wholesale funding by HLA[1]		
(up to 1 Month)	**303.2%**	337.0%
(up to 3 Months)	**217.5%**	181.4%
(up to 1 Year)	**185.7%**	167.5%

(1) HLA - Highly Liquid Assets.

Operational Risk

The approach to operational risk management is based on an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the 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 loans.

Regarding the Covered Bond Programs of Banco Comercial Português that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

49. SOLVENCY

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 and corporate portfolio. BCP has adopted the advanced approach (internal model) for the generic market risk and the standard method for the operational risk.

The individual own funds of Banco Comercial Português are determined according to Directive 2013/36/UE and Regulation (EU) 575/2013 approved by the European Parliament and the Council (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR), and the Notice no. 6/2013 from the Bank of Portugal.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

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

Additional tier 1 comprises preference shares and other hybrid instruments that are compliant with the issue conditions established in the Regulation.

Tier 2 includes the subordinated debt that is compliant with the Regulation, the excess of value adjustments and provisions to expected losses concerning risk weighted exposure amounts cleared under the IRB approach (with a 0.6% of the RWA exposures cap) and the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank's accounts.

The legislation stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to communitarian law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax assets already recorded on the balance sheet of January 1, 2014, and the subordinated debt and all the hybrid instruments not eligible to the own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

According to the CRD IV/CRR, financial institutions should report common equity tier 1, tier 1 and total capital ratios of at least 7%, 8.5% and 10.5%, respectively, including a 2.5% conservation buffer, but benefiting from a transitional period that will last until the end of 2018.

The own funds and the capital requirements determined according to the methodologies CRD IV/CRR previously referred, are the following:

(Thousands of Euros)

	2015	2014
COMMON EQUITY TIER 1 (CET1)		
Ordinary share capital	**4,094,235**	3,706,690
Other capital (State aid)	**750,000**	750,000
Reserves and retained earnings	**(669,859)**	(838,916)
Regulatory adjustments to CET1	**(34,506)**	10,549
	4,139,870	3,628,323
TIER 1		
Capital Instruments	**2,045**	6,892
Regulatory adjustments	**(2,045)**	(6,892)
	4,139,870	3,628,323
TIER 2		
Subordinated debt	**531,480**	880,904
Others	**41,291**	34,374
	572,771	915,278
TOTAL OWN FUNDS	**4,712,641**	4,543,601
RISK WEIGHTED ASSETS		
Credit risk	**31,243,607**	31,912,785
Market risk	**1,059,409**	825,105
Operational risk	**1,565,909**	1,489,666
CVA	**216,173**	176,630
	34,085,098	34,404,186
CAPITAL RATIOS		
CET1	**12.1%**	10.5%
Tier 1	**12.1%**	10.5%
Tier 2	**1.7%**	2.7%
	13.8%	13.2%

50. ACCOUNTING STANDARDS RECENTLY ISSUED

The recently issued pronouncements already adopted by the Bank in the preparation of the financial statements are the following:

IFRIC 21 – Levies
The IASB issued this interpretation on 20th May 2013, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation no. 634/2014, 13th June.

IFRIC 21 defines a Levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

This interpretation only affected the interim financial statements of the Bank.

Improvements to IFRS (2011-2013)
The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduces amendments with effective date on or after 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

• IFRS 1 – Meaning of "effective IFRS"
IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS 1 is permitted, but not required, to be applied in the entity's first IFRS financial statements.

• IFRS 3 – Scope exceptions for joint ventures
The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

• IFRS 13 – Scope of paragraph 52 – portfolio exception
Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

• IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property
The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Bank had no relevant impact as a result of these improvements.

The Bank decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions
The IASB issued this amendment on 21th November 2013, effective (with retrospective application) for annual periods beginning on or after 1st July 2014. This amendment was endorsed by EU Commission Regulation 29/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

The amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognize employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)
The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments with effective date on or after 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

• IFRS 2 – Definition of vesting condition
The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment, by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

• IFRS 3 – Accounting for contingent consideration in a business combination
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely, classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

• IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets
The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the Chief Operating decision maker.

• IFRS 13 – Short-term receivables and payables
IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39 AG79, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is imaterial, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

• IAS 16 and IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization
In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (a) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (b) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

• IAS 24 – Related Party Transactions – Key management personal services
In order to address the concerns about the identification of key management personal ("KMP") costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Bank expects no impact from the adoption of these amendments on its financial statements.

Improvements to IFRS (2012-2014)
The annual improvements cycle 2012-2014, issued by IASB on 25th September 2014, introduce amendments, with effective date on or after 1st January 2016, to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments were endorsed by EU Commission Regulation 2343/2015, 15th December 2015.

• IFRS 5 – Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method
The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

• IFRS 7 – Financial Instruments: Disclosures: Servicing contracts
The Amendments to IFRS 7 – Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42 C of IFRS 7.

• IFRS 7 – Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements
The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 – Offsetting financial assets and financial liabilities – are not required in interim periods after the year of their initial application unless IAS 34. Interim Financial Reporting requires those disclosures.

• IAS 19 – Employee Benefits: Discount rate: regional market issue
The Amendments to IAS 19 – Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

• IAS 34 – Interim Financial Reporting: Disclosure of information "elsewhere in the interim financial report"
The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Bank expects no impact from the adoption of these amendments on its financial statements.

• IAS 27 – Equity Method in Separate Financial Statements
IASB issued on August 12, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1st January 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, 18th December 2015.

The Bank has not yet taken any decision on a possible adoption of this option in the Group separate financial statements.

Recently issued pronouncements that are not yet effective for the Bank

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortized, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue from interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognized in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognized in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments, which do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

This situation includes investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognized in profit or loss (FVTPL).

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) established a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

As a result, loss event will no longer need to occur before an impairment allowance is recognized. This new model will accelerate recognition of losses for impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12 month expected credit losses. If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognized.

As soon as the loss event occur (what is current define as "objective evidence of impairment"), the impairment allowance would be allocated directly to the financial asset affected, which provide the same accounting treatment, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is 1st January 2018.

The Bank has started the process of evaluating the potential effect of this standard. Given the nature of the Bank's operations, this standard is expected to have a pervasive impact on the Banks's financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB issued, on May 2014, IFRS 15 – Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1st January 2017. This standard will revoke IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer 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.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognized and the amount. The model specifies that the revenue should be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognized:

- at a time when the control of the goods or services is transferred to the customer; or
- over the period, to the extent that represents the performance of the entity.

The Bank is still evaluating the impact from the adoption of this standard.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30th January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

This standard is not applicable to the Bank.

IFRS 16 - Leases

The IASB, issued on 13th January 2016, IFRS 16 – Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1st January 2019. This new standard replaces IAS 17 – Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee – the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The Bank has not carry out a full analysis of the application of the impact of this standard yet.

Other Amendments

It was also issued by IASB in 2014, and applicable effective by 1st January 2016, the following amendments:

- amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30th June 2014 and was endorsed by EU Commission Regulation 2113/2015, 23rd November);
- amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12th May and was endorsed by EU Commission Regulation 2231/2015, 2nd December);
- amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6th May and was endorsed by EU Commission Regulation 2173/2015, 24th November);
- amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18th December);
- amendments to IAS 1 - Disclosure initiative (issued on 18th December).

The Bank expects no impact from the adoption of these amendments on its financial statements.

Changes to accounting policies to be introduced on 1st January 2016

Impact of IAS 39 - Financial Instruments

The Bank of Portugal on 30th December 2015 issued Notice No. 5/2015 which states that entities subject to its supervision must prepare their financial statements on an individual basis in accordance with International Financial Reporting Standards, as adopted in each time for the EU Regulation, and repealing the Notice no. 1/2005, which established that the individual financial statements of the Bank should be prepared in accordance with the Adjusted Accounting Standards (NCA's).

The new Notice shall enter into force on 1th January 2016. The impact arising from this change in the financial statements for the opening of the 2016 fiscal year, primarily results from the repeal of Notice no. 3/95 concerning the registration of impairment on portfolio credit and are as follows:

(Thousands of Euros)

ASSETS	
Loans and advances to credit institutions	
Other loans and advances	24,233
Loans and advances to customers	1,286,846
Deferred income tax assets	(466,636)
Other assets	1,660
TOTAL ASSETS	846,103
LIABILITIES	
Provisions	(271,018)
EQUITY	
Reserves and retained earnings	1,117,121
TOTAL LIABILITIES AND EQUITY	846,103

51. CONTINGENCIES AND COMMITMENTS

1. The Bank received a formal notice dated 27th 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, 31st 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 9th June 2015, the Lisbon Court of Appeal partly approved the Bank's appeal and declared that part of the offences of alleged provision of false information to the Bank of Portugal had reached a statute of limitation, thereby acquitting the Bank of the remaining offences (that did not reach the statute). It further acquitted the Bank of two alleged offences of falsifying accounting records. The Lisbon Court of Appeal confirmed the sentence of the Bank for two other alleged offences of falsifying accounting records. Therefore, the Lisbon

Court of Appeal decreased the fine imposed to the Bank, from Euros 4,000,000 to Euros 750,000. The bank and one of the defendants (individual) appealed this Judgment to the Constitutional Court but these appeals were denied. The judgment of the Lisbon Court of Appeal became definitive and final.

2. On July 2009, the Bank was notified of the accusation brought about by the Public Prosecutor in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for a civil indemnity.

Through a sentence issued on 2nd May 2014, three of the four defendants were sentenced to suspended 2-year prison sentences and to the payment of fines amounting to between Euros 300,000 and Euros 600,000 for the crime of market manipulation, with the disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper. In its decision dated of 25th 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 29th May 2005 constitutes a shareholders loan instead of a pure bank loan; (ii) for the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005; and (iv) the statement of non-existence of a debt represented by a promissory note (held by the company) acting as security.

The Bank is convinced that, having in consideration the facts argued by the Plaintiff, the suit shall be deemed unfounded.

One of the creditors of the plaintiff requested its bankruptcy and the Bank claimed credits amounting to Euros 82,253,962.77. Thus, the proceedings mentioned above is suspended.

4. In 2012, the Portuguese Competition Authority initiated an administrative proceeding relating to competition restrictive practices. During the investigations, on 6th 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 2nd 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.

5. On 20th 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 28th May 2015, the Regional Court of Warsaw dismissed the proceedings. On 3rd 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. Currently, the Bank waits for the next hearing to be scheduled.

On 3rd 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 claiming for some clauses of the agreements pertaining to low down payment insurance to be declared null and void. The Bank already contested demanding that the lawsuit be dismissed.

6. On 1st 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, totaling 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 defense arguments and considers that, in view of the facts, there is a strong chance that the proceedings will be dismissed.

7. Resolution Fund
In accordance with Decree-Law No. 24/2013, which establishes the modus operandi of the Resolution Fund ('RF'), the Bank has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, the Bank made the initial contribution, pursuant to Article 3 of that Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of that Decree-Law.

On 3rd November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19th February. The Bank is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15th 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 BES. Therefore, the eventual collection of a special contribution appears to be unlikely.

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29th December 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, S.A.), which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A.

Additionally, the Bank of Portugal decided on 19th and 20th December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, S.A. ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31st December 2015, there is no estimate on the amount of potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Bank, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, the Bank had to make an initial contribution in the amount of Euros 30,843,000, as referred in note 9. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31st December 2015.

52. SOVEREIGN DEBT OF EUROPEAN UNION COUNTRIES SUBJECT TO BAILOUT

As at 31 December 2015, the Bank's exposure to sovereign debt of European Union countries subject to bailout is as follows:

	2015					
Issuer / Portfolio	Book value (Euros'000)	Fair value (Euros'000)	Fair value reserves (Euros'000)	Average interest rate %	Average maturity years	Fair value levels
GREECE						
Financial assets held for trading	259	259	-	0,00%	0,0	1

As at 31 December 2014, the Bank's exposure to sovereign debt of European Union countries subject to bailout is as follows:

	2014					
Issuer / Portfolio	Book value (Euros'000)	Fair value (Euros'000)	Fair value reserves (Euros'000)	Average interest rate %	Average maturity years	Fair value levels
GREECE						
Financial assets held for trading	1.024	1.024	-	0,00%	0,0	1

53. 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 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 financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds 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 investment throughout the useful life of the fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the fund.

The funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the fund.

The management structure of the fund has as main responsibilities:
- determine the objective of the fund;
- 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 the majority of the transactions (in which the Bank holds minority positions) establish companies under the Portuguese law 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 of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These securities are remunerated at an interest rate that reflects the risk of the company that holds the assets.

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 sale value to the companies under the Portuguese Law.

These junior securities, when subscribed by the Bank, 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.

However, 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, they are fully provided.

Therefore, following the transactions, the Bank subscribed:

- participation units of the funds, for which the cash flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Bank has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the funds and audited at year end;
- junior securities (with higher subordination degree) issued by the 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 as follows:

(Thousands of Euros)

	Values associated to credit tranfers					
	2015			2014		
	Net assets transferred	**Received value**	**Income / (loss) resulting from the transfer**	Net assets transferred	Received value	Income / (loss) resulting from the transfer
Fundo Recuperação Turismo FCR	**213,201**	**292,644**	**81,682**	210,962	292,644	81,682
Fundo Reestruturação Empresarial FCR	**83,201**	**83,212**	**11**	83,201	83,212	11
FLIT	**403,833**	**369,342**	**(34,491)**	403,833	369,342	(34,491)
Vallis Construction Sector Fund	**235,185**	**235,656**	**471**	235,185	235,656	471
Fundo Recuperação FCR	**294,630**	**232,173**	**(62,457)**	294,630	232,173	(62,457)
Fundo Aquarius FCR	**125,191**	**132,635**	**7,444**	102,681	106,736	4,055
Discovery Real Estate Fund	**113,247**	**138,187**	**24,940**	113,247	138,187	24,940
Fundo Vega FCR	**66,116**	**109,567**	**43,451**	-	-	-
	1,534,604	**1,593,416**	**61,051**	1,443,739	1,457,950	14,211

As at 31 December 2015, the amount of assets received in such transactions are comprised of:

(Thousands of Euros)

	2015					
	Senior securities	Junior securities	Total	Impairment for seniors	Impairment for juniors	Net value
Fundo Recuperação Turismo FCR	287,929	30,808	318,737	(34,431)	(30,808)	253,498
Fundo Reestruturação Empresarial FCR	83,319	-	83,319	(1,214)	-	82,105
FLIT	297,850	41,094	338,944	(2,862)	(41,094)	294,988
Vallis Construction Sector Fund	228,765	35,441	264,206	-	(35,441)	228,765
Fundo Recuperação FCR	222,737	75,130	297,867	(54,848)	(75,130)	167,889
Fundo Aquarius FCR	136,111	-	136,111	(1,944)	-	134,167
Discovery Real Estate Fund	145,624	-	145,624	(940)	-	144,684
Fundo Vega FCR	46,067	63,519	109,586	-	(63,518)	46,068
	1,448,402	245,992	1,694,394	(96,239)	(245,991)	1,352,164

As at 31 December 2014, the amount of assets received in such transactions are comprised of:

(Thousands of Euros)

	2014					
	Senior securities	Junior securities	Total	Impairment for seniors	Impairment for juniors	Net value
Fundo Recuperação Turismo FCR	282,615	-	282,615	(30,593)	-	252,022
Fundo Reestruturação Empresarial FCR	89,327	-	89,327	(1,716)	-	87,611
FLIT	291,632	40,064	331,696	(5,846)	(40,064)	285,786
Vallis Construction Sector Fund	218,749	35,441	254,190	-	(35,441)	218,749
Fundo Recuperação FCR	219,423	72,793	292,216	(41,982)	(72,793)	177,441
Fundo Aquarius FCR	106,433	-	106,433	-	-	106,433
Discovery Real Estate Fund	143,635	-	143,635	(4,606)	-	139,029
	1,351,814	148,298	1,500,112	(84,743)	(148,298)	1,267,071

The junior securities correspond to supplementary capital contributions in the amount of Euros 210,550,000 (31 December 2014: Euros 112,857,000), as referred in note 30 and Participation units in the amount of Euros 35,441,000 (31 December 2014: Euros 35,441,000) as referred in note 22.

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 Bank 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).

Additionally are booked in loans and advances to customer's portfolio, financing operations associated with the following transfers of assets:

(Thousands of Euros)

	2015			2014		
	Received value	**Impairment**	**Net value**	Received value	Impairment	Net value
Fundo Recuperação Turismo FCR	**-**	**-**	**-**	27,450	27,450	-
Fundo Recuperação FCR	**14,769**	**14,769**	**-**	14,555	14,555	-
Fundo Aquarius FCR	**20,772**	**19,571**	**1,201**	19,094	18,513	581
	35,541	**34,340**	**1,201**	61,099	60,518	581

54. LIST OF SUBSIDIARY AND ASSOCIATED COMPANIES OF BANCO COMERCIAL PORTUGUÊS, S.A.

As at 31 December 2015, 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.	Warsaw	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
Bitalpart, B.V.	Amsterdam	19,370	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	Investment fund management	100.0
Millennium BCP - Escritório de Representações e Serviços, Ltda.	Sao Paulo	49,545,986	BRL	Financial Services	100.0
Millennium bcp – Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	81.0
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
QPR Investimentos, S.A.(*)	Oeiras	50,000	EUR	Advisory and services	100.0
Irgossai – Urbanização e Construção, S.A.(*)	Lisbon	50,000	EUR	Construction and sale of real estate projects	100.0
Propaço- Sociedade Imobiliária De Paço D'Arcos, Lda.	Lisbon	5,000	EUR	Real-estate company	52.7

(*) Companies classified as non-current assets held for sale.

As at 31 December 2015, the Banco Comercial Português S.A. associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,610	EUR	Extractive industry	20.0
Banque BCP, S.A.S.	Paris	108,941,724	EUR	Banking	19.9
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	21.5
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Oeiras	50,000	EUR	Advisory	25.0
UNICRE – Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	31.7
Quinta do Furão - Sociedade de Animação Turística e Agrícola de Santana, Lda.	Funchal	1,870,492	EUR	Tourism	31.3

As at 31 December 2015, 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

55. SUBSEQUENT EVENTS

Process of offers to tender notes for purchase

Banco Comercial Português, S.A. (BCP) has launched in February 2016 an invitation of offers to tender notes for purchase to holders of the issues listed below. The invitation is limited to a maximum aggregate purchase amount of Euros 300 million. The purpose of the invitation is to proactively manage the Bank's outstanding liabilities and capital base.

- Issuer: Banco Comercial Português, S.A. – Issue: Euros 500,000,000 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes") – Outstanding Principal Amount: Euros 500,000,000;
- Issuer: Magellan Mortgages No. 2 plc – Issue: Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036 – Outstanding Principal Amount: Euros 87,870,120;
- Issuer: Magellan Mortgages No. 3 plc – Issue: Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058 – Outstanding Principal Amount: Euros 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 amortised 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 (amortised principal amount outstanding) of the validly tendered notes. The following table sets out the amounts accepted for each issue and the Bank has determined that the purchase price for the Senior Notes will be 99.0 per cent of its principal amount:

- Issuer: Banco Comercial Português, S.A. – Issue: Euros 500,000,000 3.375 per cent. Fixed Rate Notes due 27 February 2017 ("Senior Notes") – Accepted Outstanding Principal Amount: Euros 85,300,000;
- Issuer: Magellan Mortgages No. 2 plc – Issue: Euros 930,000,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2036 – Accepted Outstanding Principal Amount: Euros 26,455.52;
- Issuer: Magellan Mortgages No. 3 plc – Issue: Euros 1,413,750,000 Class A (Senior) Mortgage Backed Floating Rate Notes due 2058 – Accepted Outstanding Principal Amount: Euros 0.

The settlement date was on 26 February 2016.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF BCP GROUP

(i) Basis of preparation of the unaudited pro forma financial information of BCP Group

To provide additional financial information, the unaudited pro forma financial information which comprises unaudited pro forma consolidated income statements and unaudited pro forma consolidated statements of comprehensive income of BCP Group for each of the years ended 31 December 2014, 2015 and 2016, and the unaudited pro forma consolidated balance sheets of BCP Group as at 31 December 2014, 2015 and 2016 (the "**Unaudited Pro Forma Financial Information of the BCP Group**"), has been prepared based on:

(a) the historical audited consolidated income statements, consolidated statements of comprehensive income and consolidated balance sheets (the "**Consolidated Financial Statements**") were prepared in accordance with the IFRS as endorsed by the European Union and accounting policies adopted by BCP Group which were audited by KPMG Portugal (31 December 2014 and 31 December 2015) and Deloitte Portugal (31 December 2016). The Consolidated Financial Statements of BCP Group for the year ended 31 December 2014 have been extracted by the Directors from BCP Group's published annual report for the years ended 31 December 2015, and the Consolidated Financial Statements of BCP Group for the years ended 31 December 2015 and 2016 have been extracted by the Directors from BCP Group's published annual report for the year ended 31 December 2016;

(b) after taking into account of the unaudited Pro Forma Adjustments (if any) to adjust the significant effects on the Consolidated Financial Statements of BCP Group for the years ended 31 December 2014, 2015 and 2016 as if the Hong Kong Financial Reporting Standards and the accounting policies adopted by Fosun (the "**Fosun Policies**") had been adopted by BCP Group for each of the years ended 31 December 2014, 2015 and 2016.

The Unaudited Pro Forma Financial Information of BCP Group should be read in conjunction with the financial information contained in this circular and the consolidated financial statements of BCP Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of BCP Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of operations of BCP Group as at and for the years ended 31 December 2014, 2015 and 2016, or at any future date or for any future period.

(ii) Unaudited Pro Forma Financial Information of BCP Group

Unaudited Pro Forma Consolidated Income Statement of BCP Group for the year ended at 31 December 2016

	Audited amount *Euro'000* *Note (iii)*[(1)]	Unaudited Pro Forma Adjustments *Euro'000*	Adjusted amount *Euro'000*
Interest and similar income	1,909,997	–	1,909,997
Interest expense and similar charges	(679,871)	–	(679,871)
Net interest income	1,230,126	–	1,230,126
Dividends from equity instruments	7,714	–	7,714
Net fees and commissions income	643,834	–	643,834
Net gains/(losses) arising from trading and hedging activities	101,827	–	101,827
Net gains/(losses) arising from financial assets available for sale	138,540	–	138,540
Net gains from insurance activities	4,966	–	4,966
Other operating income/(costs)	(104,547)	–	(104,547)
Total operating income	**2,022,460**	**–**	**2,022,460**
Staff costs	356,602	–	356,602
Other administrative costs	373,570	–	373,570
Amortizations	49,824	–	49,824
Total operating expenses	**779,996**	**–**	**779,996**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount *Euro'000* *Note (iii)*[1]	Unaudited Pro Forma Adjustments *Euro'000*	Adjusted amount *Euro'000*
Operating net income before provisions and impairments	1,242,464	–	1,242,464
Loans impairment	(1,116,916)	–	(1,116,916)
Other financial assets impairment	(274,741)	–	(274,741)
Other assets impairment	(66,926)	–	(66,926)
Goodwill impairment	(51,022)	–	(51,022)
Other provisions	(88,387)	–	(88,387)
Operating net income/(loss)	(355,528)	–	(355,528)
Share of profit of associates under the equity method	80,525	–	80,525
Gains/(losses) arising from the sale of subsidiaries and other assets	(6,277)	–	(6,277)
Net income/(loss) before income taxes	(281,280)	–	(281,280)
Income taxes			
Current	(113,425)	–	(113,425)
Deferred	495,292	–	495,292
Income after income taxes from continuing operations	100,587	–	100,587
Income arising from discontinued or discontinuing operations	45,228	–	45,228
Net income after income taxes	145,815	–	145,815
Net income/(loss) for the year attributable to:			
Shareholders of the Bank	23,938	–	23,938
Non-controlling interests	121,877	–	121,877
Net income for the year	145,815	–	145,815

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of BCP Group for the year ended at 31 December 2016

	Audited amount	Unaudited Pro forma adjustments	Adjusted amount	Attributable to Shareholders of the Bank	Attributable to Non-controlling interests
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
	Note (iii)[(1)]				
Net income/(loss) for the year	145,815	–	145,815	23,938	121,877
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves	(178,074)	–	(178,074)	(152,163)	(25,911)
Reversal of the fair value reserves of Banco Millennium Angola, S.A.	(3,431)	–	(3,431)	(1,719)	(1,712)
Exchange differences arising on consolidation	(228,902)	–	(228,902)	(120,816)	(108,086)
Reversal of the exchange differences arising on consolidation of Banco Millennium Angola, S.A.	156,794	–	156,794	78,554	78,240
	(253,613)	–	(253,613)	(196,144)	(57,469)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial losses for the year					
BCP Pensions Fund	(233,354)	–	(233,354)	(233,354)	–
Actuarial losses from other subsidiaries and associated companies	(1,122)	–	(1,122)	(781)	(341)
	(234,476)	–	(234,476)	(234,135)	(341)
Other comprehensive (loss)/income	(488,089)	–	(488,089)	(430,279)	(57,810)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	(342,274)	–	(342,274)	(406,341)	64,067

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Balance Sheet of BCP Group as at 31 December 2016

	Audited amount	**Unaudited Pro Forma Adjustments**	**Adjusted amount**
	Euro'000	*Euro'000*	*Euro'000*
	Note (iii)[1]		
Cash and deposits at Central Bank	1,573,912	–	1,573,912
Loans and advances to credit institutions repayable on demand	448,225	–	448,225
Other loans and advances	1,056,701	–	1,056,701
Loans and advances to customers	48,017,602	–	48,017,602
Financial assets held for trading	1,048,797	–	1,048,797
Other financial assets held for trading at fair value through profit and loss	146,664	–	146,664
Financial assets available for sale	10,596,273	–	10,596,273
Assets with repurchase agreement	20,525	–	20,525
Hedging derivatives	57,038	–	57,038
Financial assets held to maturity	511,181	–	511,181
Investments in associated companies	598,866	–	598,866
Non-current assets held for sale	2,250,159	–	2,250,159
Investment property	12,692	–	12,692
Other tangible assets	473,866	–	473,866
Goodwill and intangible assets	162,106	–	162,106
Current tax assets	17,465	–	17,465
Deferred tax assets	3,184,925	–	3,184,925
Other assets	1,087,814	–	1,087,814
Total Assets	**71,264,811**	**–**	**71,264,811**
Resources from credit institutions	9,938,395	–	9,938,395
Resources from customers	48,797,647	–	48,797,647
Debt securities issued	3,512,820	–	3,512,820
Financial liabilities held for trading	547,587	–	547,587
Hedging derivatives	383,992	–	383,992
Provisions	321,050	–	321,050
Subordinated debt	1,544,555	–	1,544,555
Current tax liabilities	35,367	–	35,367
Deferred tax liabilities	2,689	–	2,689
Other Liabilities	915,528	–	915,528
Total Liabilities	**65,999,630**	**–**	**65,999,630**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount	Unaudited Pro Forma Adjustments	Adjusted amount
	Euro'000	*Euro'000*	*Euro'000*
	Note (iii)[(1)]		
Share capital	4,268,818	–	4,268,818
Share premium	16,471	–	16,471
Preference shares	59,910	–	59,910
Other equity instruments	2,922	–	2,922
Legal and statutory reserves	245,875	–	245,875
Treasury shares	(2,880)	–	(2,880)
Fair value reserves	(130,632)	–	(130,632)
Reserves and retained earnings	(102,306)	–	(102,306)
Net income for the year attributable to Shareholders	23,938	–	23,938
Total equity attributable to Shareholders of the Bank	**4,382,116**	**–**	**4,382,116**
Non-controlling interests	883,065	–	883,065
Total equity	**5,265,181**	**–**	**5,265,181**
	71,264,811	**–**	**71,264,811**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Income Statement of BCP Group for the year ended 31 December 2015

	Audited amount	Unaudited Pro Forma Adjustments	Adjusted amount
	Euro'000	*Euro'000*	*Euro'000*
	Note (iii)[(1)]		
Interest and similar income	2,158,966	–	2,158,966
Interest expense and similar charges	(968,367)	–	(968,367)
Net interest income	1,190,599	–	1,190,599
Dividends from equity instruments	9,652	–	9,652
Net fees and commissions income	660,255	–	660,255
Net gains/(losses) arising from trading and hedging activities	118,195	–	118,195
Net gains/(losses) arising from financial assets available for sale	421,214	–	421,214
Net gains from insurance activities	10,227	–	10,227
Other operating income/(costs)	(98,158)	–	(98,158)
Total operating income	**2,311,984**	**–**	**2,311,984**
Staff costs	573,929	–	573,929
Other administrative costs	389,295	–	389,295
Amortizations	54,078	–	54,078
Total operating expenses	**1,017,302**	**–**	**1,017,302**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount	Unaudited Pro Forma Adjustments	Adjusted amount
	Euro'000	*Euro'000*	*Euro'000*
	Note (iii)[(1)]		
Operating net income before provisions and impairments	1,294,682	–	1,294,682
Loans impairment	(817,808)	–	(817,808)
Other financial assets impairment	(56,675)	–	(56,675)
Other assets impairment	(79,667)	–	(79,667)
Goodwill impairment	–	–	–
Other provisions	(23,735)	–	(23,735)
Operating net income/(loss)	316,797	–	316,797
Share of profit of associates under the equity method	23,528	–	23,528
Gains/(losses) arising from the sale of subsidiaries and other assets	(32,006)	–	(32,006)
Net income/(loss) before income taxes	308,319	–	308,319
Income taxes			
Current	(91,355)	–	(91,355)
Deferred	53,670	–	53,670
Income after income taxes from continuing operations	270,634	–	270,634
Income arising from discontinued or discontinuing operations	90,327	–	90,327
Net income after income taxes	360,961	–	360,961
Net income/(loss) for the year attributable to:			
Shareholders of the Bank	235,344	–	235,344
Non-controlling interests	125,617	–	125,617
Net income for the year	360,961	–	360,961

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of BCP Group for the year ended at 31 December 2015

				Attributable to	
	Audited amount	**Unaudited Pro forma adjustments**	**Adjusted amount**	**Shareholders of the Bank**	**Non-controlling interests**
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
	Note (iii)[(1)]				
Net income/(loss) for the year	360,961	–	360,961	235,344	125,617
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves	(72,092)	–	(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	(155,509)	–	(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	–
	(223,040)	–	(223,040)	(163,125)	(59,915)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial losses for the year					
BCP Pensions Fund	(24,335)	–	(24,335)	(24,335)	–
Actuarial losses from other subsidiaries and associated companies	85	–	85	287	(202)
	(24,250)	–	(24,250)	(24,048)	(202)
Other comprehensive (loss)/income	(247,290)	–	(247,290)	(187,173)	(60,117)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	113,671	–	113,671	48,171	65,500

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Balance Sheet of BCP Group as at 31 December 2015

	Audited amount *Euro'000* *Note (iii)(1)*	**Unaudited Pro Forma Adjustments** *Euro'000*	**Adjusted amount** *Euro'000*
Cash and deposits at Central Bank	1,840,317	–	1,840,317
Loans and advances to credit institutions repayable on demand	776,413	–	776,413
Other loans and advances	921,648	–	921,648
Loans and advances to customers	51,970,159	–	51,970,159
Financial assets held for trading	1,188,805	–	1,188,805
Other financial assets held for trading at fair value through profit and loss	152,018	–	152,018
Financial assets available for sale	10,779,030	–	10,779,030
Assets with repurchase agreement	–	–	–
Hedging derivatives	73,127	–	73,127
Financial assets held to maturity	494,891	–	494,891
Investments in associated companies	315,729	–	315,729
Non-current assets held for sale	1,765,382	–	2,250,159
Investment property	146,280	–	146,280
Other tangible assets	670,871	–	670,871
Goodwill and intangible assets	210,916	–	210,916
Current tax assets	43,559	–	43,559
Deferred tax assets	2,561,506	–	2,561,506
Other assets	974,228	–	974,228
Total Assets	**74,884,879**	**–**	**74,884,879**
Resources from credit institutions	8,591,045	–	8,591,045
Resources from customers	51,538,583	–	51,538,583
Debt securities issued	4,768,269	–	4,768,269
Financial liabilities held for trading	723,228	–	723,228
Hedging derivatives	541,230	–	541,230
Provisions	284,810	–	284,810
Subordinated debt	1,645,371	–	1,645,371
Current tax liabilities	22,287	–	22,287
Deferred tax liabilities	14,810	–	14,810
Other Liabilities	1,074,675	–	1,074,675
Total Liabilities	**69,204,308**	**–**	**69,204,308**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount	**Unaudited Pro Forma Adjustments**	**Adjusted amount**
	Euro'000	*Euro'000*	*Euro'000*
	Note (iii)[(1)]		
Share capital	4,094,235	–	4,094,235
Share premium	16,471	–	16,471
Preference shares	59,910	–	59,910
Other equity instruments	2,922	–	2,922
Legal and statutory reserves	223,270	–	223,270
Treasury shares	(1,187)	–	(1,187)
Fair value reserves	23,250	–	23,250
Reserves and retained earnings	(31,046)	–	(31,046)
Net income for the year attributable to Shareholders	235,344	–	235,344
Total equity attributable to Shareholders of the Bank	**4,623,169**	**–**	**4,623,169**
Non-controlling interests	1,057,402	–	1,057,402
Total equity	**5,680,571**	**–**	**5,680,571**
	74,884,879	**–**	**74,884,879**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Income Statement of BCP Group for the year ended 31 December 2014

	Audited amount *Euro'000* *Note (iii)[1]*	Unaudited Pro Forma Adjustments *Euro'000*	Adjusted amount *Euro'000*
Interest and similar income	2,652,638	–	2,652,638
Interest expense and similar charges	(1,536,487)	–	(1,536,487)
Net interest income	1,116,151	–	1,116,151
Dividends from equity instruments	5,888	–	5,888
Net fees and commissions income	680,885	–	680,885
Net gains/(losses) arising from trading and hedging activities	154,247	–	154,247
Net gains/(losses) arising from financial assets available for sale	302,407	–	302,407
Net gains/(losses) arising from financial assets held to maturity	(14,492)	–	(14,492)
Other operating income/(costs)	(53,300)	–	(53,300)
	2,191,786	–	2,191,786
Other net income from non-banking Activities	19,278	–	19,278
Total operating income	**2,211,064**	**–**	**2,211,064**
Staff costs	635,616	–	635,616
Other administrative costs	448,451	–	448,451
Depreciation	65,543	–	65,543
Operating expenses	**1,149,610**	**–**	**1,149,610**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount *Euro'000* *Note (iii)*[(1)]	Unaudited Pro Forma Adjustments *Euro'000*	Adjusted amount *Euro'000*
Operating net income before provisions and impairments	1,061,454	–	1,061,454
Loans impairment	(1,106,990)	–	(1,106,990)
Other financial assets impairment	(91,345)	–	(91,345)
Other assets impairment	(36,311)	–	(36,311)
Goodwill impairment	(145)	–	(145)
Other provisions	(81,473)	–	(81,473)
Operating net income/(loss)	(254,810)	–	(254,810)
Share of profit of associates under the equity method	35,960	–	35,960
Gains/(losses) arising from the sale of subsidiaries and other assets	45,445	–	45,445
Net income/(loss) before income taxes	(173,405)	–	(173,405)
Income taxes			
Current	(100,995)	–	(100,995)
Deferred	198,670	–	198,670
Income after income taxes from continuing operations	(75,730)	–	(75,730)
Income/(loss) arising from discontinued operations	(40,830)	–	(40,830)
Net income after income taxes	(116,560)	–	(116,560)
Consolidated net income/(loss) for the year attributable to:			
Shareholders of the Bank	(226,620)	–	(226,620)
Non-controlling interests	110,060	–	110,060
Net income/(loss) for the year	(116,560)	–	(116,560)

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Statement of Comprehensive Income of BCP Group for the year ended at 31 December 2014

	Audited amount	Unaudited Pro forma adjustments	Adjusted amount	Attributable to Shareholders of the Bank	Attributable to Non-controlling interests
	Euro'000	*Euro'000*	*Euro'000*	*Euro'000*	*Euro'000*
	Note (iii)[1]				
Net income/(loss) for the year	(116,560)	–	(116,560)	(226,620)	110,060
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT					
Fair value reserves	84,180	–	84,180	84,587	(407)
Exchange differences arising on consolidation	10,604	–	10,604	10,919	(315)
	94,784	–	94,784	95,506	(722)
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT					
Actuarial losses for the year					
BCP Pensions Fund	(477,241)	–	(477,241)	(477,241)	–
Actuarial losses from other subsidiaries and associated companies	(1,118)	–	(1,118)	(618)	(500)
	(478,359)	–	(478,359)	(477,859)	(500)
Taxes	34,284	–	34,284	34,243	41
	(444,075)	–	(444,075)	(443,616)	(459)
Other comprehensive (loss)/income	(349,291)	–	(349,291)	(348,110)	(1,181)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	(465,851)	–	(465,851)	(574,730)	108,879

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

Unaudited Pro Forma Consolidated Balance Sheet of BCP Group as at 31 December 2014

	Audited amount *Euro'000* *Note (iii)(1)*	**Unaudited Pro Forma Adjustments** *Euro'000*	**Adjusted amount** *Euro'000*
Cash and deposits at Central Bank	1,707,447	–	1,707,447
Loans and advances to credit institutions repayable on demand	795,774	–	795,774
Other loans and advances	1,456,026		1,456,026
Loans and advances to customers	53,685,648	–	53,685,648
Financial assets held for trading	1,674,240	–	1,674,240
Other financial assets held for trading at fair value through profit and loss	–	–	–
Financial assets available for sale	8,263,225	–	8,263,225
Assets with repurchase agreement	36,423	–	36,423
Hedging derivatives	75,325	–	75,325
Financial assets held to maturity	2,311,181	–	2,311,181
Investments in associated companies	323,466	–	323,466
Non-current assets held for sale	1,622,016	–	1,622,016
Investment property	176,519	–	176,519
Other tangible assets	755,451	–	755,451
Goodwill and intangible assets	252,789	–	252,789
Current tax assets	41,895	–	41,895
Deferred tax assets	2,398,562	–	2,398,562
Other assets	784,929	–	784,929
Total Assets	**76,360,916**	**–**	**76,360,916**
Resources from credit institutions	10,966,155	–	10,966,155
Resources from customers	49,816,736	–	49,816,736
Debt securities issued	5,709,569	–	5,709,569
Financial liabilities held for trading	952,969	–	952,969
Hedging derivatives	352,543	–	352,543
Provisions	460,293	–	460,293
Subordinated debt	2,025,672	–	2,025,672
Current tax liabilities	31,794	–	31,794
Deferred tax liabilities	6,686	–	6,686
Other Liabilities	1,051,592	–	1,051,592
Total Liabilities	**71,374,009**	**–**	**71,374,009**

(ii) Unaudited Pro Forma Financial Information of BCP Group (Continued)

	Audited amount *Euro'000* *Note (iii)*[1]	Unaudited Pro Forma Adjustments *Euro'000*	Adjusted amount *Euro'000*
Share capital	3,706,690	–	3,706,690
Share premium	–	–	–
Preference shares	171,175	–	171,175
Other equity instruments	9,853	–	9,853
Treasury stock	(13,547)	–	(13,547)
Fair value reserves	106,898	–	106,898
Reserves and retained earnings	458,087	–	458,087
Net income/(loss) for the year attributable to Shareholders	(226,620)	–	(226,620)
Total equity attributable to Shareholders of the Bank	**4,212,536**	**–**	**4,212,536**
Non-controlling interests	774,371	–	774,371
Total equity	**4,986,907**	**–**	**4,986,907**
	76,360,916	**–**	**76,360,916**

(iii) Notes to the Unaudited Pro Forma Financial Information of BCP Group

1. The historical audited consolidated income statements, consolidated statements of comprehensive income and consolidated balance sheets (the "**Consolidated Financial Statements**") were prepared in accordance with the IFRS as endorsed by the European Union and accounting policies adopted by BCP Group which were audited by KPMG Portugal (31 December 2014 and 31 December 2015) and Deloitte Portugal (31 December 2016). The Consolidated Financial Statements of BCP Group for the year ended 31 December 2014 have been extracted by the Directors from BCP Group's published annual report for the years ended 31 December 2015, and the Consolidated Financial Statements of BCP Group for the years ended 31 December 2015 and 2016 have been extracted by the Directors from BCP Group's published annual report for the year ended 31 December 2016;

(C) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE BCP GROUP

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE BCP GROUP

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22 June 2017

To the Directors of Fosun International Limited,

We have completed our assurance engagement to report on compilation of the unaudited pro forma financial information of Banco Comerical Português, S.A. and its subsidiaries ("**BCP Group**") by the directors of Fosun International Limited (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated income statements and the unaudited pro forma consolidated statements of comprehensive income of BCP Group for each of the years ended 31 December 2014, 2015 and 2016, and the unaudited pro forma consolidated balance sheets of BCP Group as at 31 December 2014, 2015 and 2016 (the "**Unaudited Pro Forma Financial Information of BCP Group**") in connection with the increase in the equity interests of BCP Group up to 30% by Chiado (Luxembourg) S.à.r.l (an indirect wholly-owned subsidiary of Fosun International Limited). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information of BCP Group are set out in Section B of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information of BCP Group has been compiled by the Directors to illustrate the impact on the consolidated income statements and the consolidated statements of comprehensive income of BCP Group for each of the years ended 31 December 2014, 2015 and 2016, and the consolidated balance sheets of BCP Group as at 31 December 2014, 2015 and 2016 (the "**Consolidated Financial Statements**") as if the Hong Kong Financial Reporting Standards (the "**HKFRSs**") and the accounting policies adopted by Fosun International Limited (the "**Fosun Policies**") had been adopted by BCP Group for each of the years ended 31 December 2014, 2015 and 2016. As part of this process, the consolidated financial statements of BCP Group for the year ended 31 December 2014 have been extracted by the Directors from BCP Group's audited financial statements for the year ended 31 December 2015 which were audited by KPMG & Associados-Sociedades de Revisores Oficiais de Coutas, S.A., and the consolidated financial statements of BCP Group for the years ended 31 December 2015 and 2016 have been extracted by the Directors from BCP Group's audited financial statements for the year ended

31 December 2016 which were audited by Deloitte & Associados, SROC S.A. The Consolidated Financial Statements of BCP Group for the years ended 31 December 2014, 2015 and 2016 were set out in Appendix II to the Circular.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information of BCP Group in accordance with paragraph 4.29 of the Rules Governing the Lisiting of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information of BCP Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information of BCP Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information of BCP Group.

The purpose of Unaudited Pro Forma Financial Information of BCP Group included in the Circular is solely to illustrate the impact of the significant effects on the Consolidated Financial Statements of BCP Group as if the HKFRSs and the Fosun Policies had been adopted by BCP Group for each of years ended 31 December 2014, 2015 and 2016, for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been the same as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information of BCP Group has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information of BCP Group provide a reasonable basis for presenting the significant effects of adopting the HKFRSs and the Fosun Policies, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information of BCP Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of BCP Group, the HKFRSs and the Fosun Policies in respect of which the Unaudited Pro Forma Financial Information of BCP Group has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information of BCP Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information of BCP Group has been properly compiled by the Directors of Fosun International Limited on the basis stated;

(b) such basis is consistent with the accounting policies of Fosun International Limited; and

(c) the adjustments, if any, are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(D) SUPPLEMENTAL FINANCIAL INFORMATION OF BCP GROUP

The Company sets out the following supplemental financial information of the BCP Group, prepared under IFRS, which were not included in the published audited financial statements of BCP Group:

1. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration during the relevant periods, disclosed pursuant to the Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2016	2015	2014
	Euro'000	*Euro'000*	*Euro'000*
Fees	2,608	2,738	2,660
Other emoluments:			
Pension scheme contributions	702	1,207	702
	3,310	3,945	3,362

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the relevant periods were as follows:

	2016	2015	2014
	Euro'000	*Euro'000*	*Euro'000*
António Vítor Martins Monteiro	–	–	90
Carlos José da Silva	68	–	–
Álvaro Roque de Pinho Bissaia Barreto	25	25	25
André Magalhães Luís Gomes	25	25	25
António Henriques de Pinho Cardão	25	25	25
João Manuel de Matos Loureiro	–	–	68
José Guilherme Xavier de Basto	–	–	35
Cidália Maria da Mota Lopes	35	22	–
Jaime de Macedo Santos Bastos	35	35	35
João Bernardo Bastos Mendes Resende	30	–	–
	243	132	303

There were no other emoluments payables to the independent non-executive directors during the relevant periods.

(b) Executive directors, non-executive directors and the chief executive

	Fees	Pension scheme contributions	Total remuneration
	Euro'000	*Euro'000*	*Euro'000*
2016			
Executive directors:			
Miguel Maya Dias Pinheiro	308	104	412
Miguel de Campos Pereira de Bragança	308	104	412
José Jacinto Iglésias Soares	270	91	361
José Miguel Bensliman Schorcht da Silva Pessanha	270	91	361
Maria Conceição Mota Soares de Oliveira Callé Lucas	270	91	361
Rui Manuel da Silva Teixeira	270	91	361
	1,696	572	2,268
Non-executive director:			
António Vítor Martins Monteiro	90	–	90
António Luís Guerra Nunes Mexia	–	–	–
Bernardo de Sá Braamcamp Sobral Sottomayor	15	–	15
Raquel Rute da Costa David Vunge	25	–	25
André Palma Mira David Nunes	–	–	–
João Manuel Matos Loureiro	86	–	86
José Rodrigues de Jesus	68	–	68
	284	–	284
Chief executive:			
Nuno Manuel da Silva Amado	385	130	515
	2,365	702	3,067

	Fees	Pension scheme contributions	Total remuneration
	Euro'000	*Euro'000*	*Euro'000*
2015			
Executive directors:			
Miguel Maya Dias Pinheiro	352	179	531
Miguel de Campos Pereira de Bragança	308	175	483
José Jacinto Iglésias Soares	270	160	430
José Miguel Bensliman Schorcht da Silva Pessanha	174	58	232
Luís Maria França de Castro Pereira Coutinho	130	106	236
Maria Conceição Mota Soares de Oliveira Callé Lucas	270	156	426
Rui Manuel da Silva Teixeira	270	160	430
	1,774	994	2,768
Non-executive director:			
António Vítor Martins Monteiro	90	–	90
Carlos José da Silva	68	–	68
António Luís Guerra Nunes Mexia	–	–	–
Bernardo de Sá Braamcamp Sobral Sottomayor	90	–	90
João Bernardo Bastos Mendes Resende	30	–	30
Raquel Rute da Costa David Vunge	20	–	20
João Manuel Matos Loureiro	68	–	68
José Guilherme Xavier de Basto	13	–	13
José Rodrigues de Jesus	68	–	68
	447	–	447
Chief executive:			
Nuno Manuel da Silva Amado	385	213	598
	2,606	1,207	3,813

	Fees	Pension scheme contributions	Total remuneration
	Euro'000	*Euro'000*	*Euro'000*
2014			
Executive directors:			
Miguel Maya Dias Pinheiro	308	104	412
Miguel de Campos Pereira de Bragança	308	104	412
José Jacinto Iglésias Soares	270	91	361
Luís Maria França de Castro Pereira Coutinho	270	91	361
Maria Conceição Mota Soares de Oliveira Callé Lucas	270	91	361
Rui Manuel da Silva Teixeira	270	91	361
	1,696	572	2,268
Non-executive director:			
Carlos José da Silva	68	–	68
António Luís Guerra Nunes Mexia	–	–	–
Bernardo de Sá Braamcamp Sobral Sottomayor	90	–	90
César Paxi Manuel João Pedro	17	–	17
João Bernardo Bastos Mendes Resende	30	–	30
José Rodrigues de Jesus	68	–	68
Raquel Rute da Costa David Vunge	3	–	3
	276	–	276
Chief executive:			
Nuno Manuel da Silva Amado	385	130	515
	2,357	702	3,059

There was no arrangement under which a non-independent director or the chief executive waived or agreed to waive any remuneration during the relevant periods.

2. Five Highest Paid Employees

The five highest paid employees during the relevant periods were all directors, details of whose remuneration are set out above.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group as at 31 December 2016 has been prepared based on:

(a) the historical audited consolidated statement of financial position of the Group as at 31 December 2016 which has been extracted from the published 2016 annual report of the Company;

(b) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Further Acquisitions might have affected the historical financial information in respect of the Group as if the Further Acquisitions had been completed on 31 December 2016.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2016 or at any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

	The Group As at 31 December 2016	**Unaudited Pro Forma Adjustments**	**Unaudited Pro forma Enlarged Group As at 31 December 2016**
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
NON-CURRENT ASSETS			
Property, plant and equipment	20,672,028		20,672,028
Investment properties	30,493,267		30,493,267
Prepaid land lease payments	2,105,331		2,105,331
Exploration and evaluation assets	225,731		225,731
Mining rights	531,296		531,296
Oil and gas assets	1,050,517		1,050,517
Intangible assets	6,024,968		6,024,968
Goodwill	9,862,200		9,862,200
Investments in joint ventures	17,662,504		17,662,504
Investments in associates	44,115,608	4,228,731	48,344,339
Available-for-sale investments	105,785,016		105,785,016
Properties under development	9,330,509		9,330,509
Loans receivable	813,210		813,210
Prepayments, deposits and other receivables	2,540,614		2,540,614
Deferred tax assets	4,801,141		4,801,141
Inventories	267,836		267,836
Policyholder account assets in respect of unit-linked contracts	3,112,170		3,112,170
Insurance and reinsurance debtors	115,473		115,473
Reinsurers' share of insurance contract provisions	4,377,481		4,377,481
Term deposits	348,692		348,692
Placements with and loans to banks and other financial institutions	73,068		73,068
Loans and advances to customers	454,502		454,502
Derivative financial instruments	379,652		379,652
Finance lease receivables	288,517		288,517
Total non-current assets	265,431,331		269,660,062

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group (Continued)

	The Group As at 31 December 2016	Unaudited Pro Forma Adjustments	Unaudited Pro forma Enlarged Group As at 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
CURRENT ASSETS			
Cash and bank	51,807,704	(4,228,731)	47,578,973
Investments at fair value through profit or loss	8,328,696		8,328,696
Derivative financial instruments	445,382		445,382
Trade and notes receivables	4,321,733		4,321,733
Prepayments, deposits and other receivables	15,977,831		15,977,831
Inventories	2,705,018		2,705,018
Completed properties for sale	7,737,290		7,737,290
Properties under development	22,738,105		22,738,105
Loans receivable	2,130,688		2,130,688
Due from related companies	11,741,735		11,741,735
Available-for-sale investments	22,390,416		22,390,416
Policyholder account assets in respect of unit-linked contracts	636,076		636,076
Insurance and reinsurance debtors	6,434,748		6,434,748
Reinsurers' share of insurance contract provisions	1,468,553		1,468,553
Placements with and loans to banks and other financial institutions	37		37
Loans and advances to customers	2,904,371		2,904,371
Finance lease receivables	929,759		929,759
	162,698,142		158,469,411
Assets of a disposal group/non-current assets classified as held for sale	58,650,003		58,650,003
Total current assets	221,348,145		217,119,414

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group (Continued)

	The Group As at 31 December 2016	Unaudited Pro Forma Adjustments	Unaudited Pro forma Enlarged Group As at 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	43,874,088		43,874,088
Trade and notes payables	9,569,939		9,569,939
Accrued liabilities and other payables	33,710,957		33,710,957
Tax payable	4,035,686		4,035,686
Finance lease payables	48,686		48,686
Deposits from customers	18,511,530		18,511,530
Due to the holding company	381,646		381,646
Due to related companies	3,647,173		3,647,173
Derivative financial instruments	505,115		505,115
Accounts payable to brokerage clients	68,823		68,823
Unearned premium provisions	5,194,018		5,194,018
Provision for outstanding claims	10,518,108		10,518,108
Provision for unexpired risks	360,623		360,623
Financial liabilities for unit-linked contracts	237,459		237,459
Investment contract liabilities	1,382,071		1,382,071
Other life insurance contract liabilities	1,429,933		1,429,933
Insurance and reinsurance creditors	3,109,676		3,109,676
Due to banks and other financial institutions	715,681		715,681
Placements from banks and other financial institutions	270,276		270,276
	137,571,488		137,571,488
Liabilities directly associated with the assets classified as held for sale	40,674,050		40,674,050
Total current liabilities	178,245,538		178,245,538

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group (Continued)

	The Group As at 31 December 2016	Unaudited Pro Forma Adjustments	Unaudited Pro forma Enlarged Group As at 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	82,094,953		82,094,953
Convertible bonds	307,730		307,730
Finance lease payables	197,224		197,224
Deposits from customers	68,715		68,715
Derivative financial instruments	802,875		802,875
Deferred income	1,514,423		1,514,423
Other long term payables	4,160,042		4,160,042
Deferred tax liabilities	8,841,545		8,841,545
Provision for outstanding claims	16,764,930		16,764,930
Financial liabilities for unit-linked contracts	3,510,787		3,510,787
Investment contract liabilities	55,370,424		55,370,424
Other life insurance contract liabilities	11,420,408		11,420,408
Insurance and reinsurance creditors	175,360		175,360
Due to banks and other financial institutions	426,987		426,987
Placements from banks and other financial institutions	3,707		3,707
Total non-current liabilities	185,660,110		185,660,110
Net assets	122,873,828		122,873,828
EQUITY			
Equity attributable to owners of the parent			
Share capital	36,157,089		36,157,089
Treasury shares	(93,008)		(93,008)
Equity component of convertible bonds	68,674		68,674
Other reserves	56,234,244		56,234,244
	92,366,999		92,366,999
Non-controlling interests	30,506,829		30,506,829
Total equity	122,873,828		122,873,828

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The balances were extracted from the published 2016 annual report of the Company.

(2) As at 31 December 2016, the Group held 16.67% equity interests in BCP Group and BCP Group was accounted for as an associate of the Group using equity method. In the opinion of the Directors, additional consideration approximating to Euro579 million will be paid if the Group increase its holding in BCP's share capital up to a maximum of 30% through the subscription rights, secondary market acquisitions or future capital increases. The additional consideration will be satisfied by the internal resources of the Group.

For illustrative purpose, the amount of investment in BCP Group has been translated into RMB, the presentation currency of the Group, at the exchange rate of Euro1.00 to RMB7.3068 as at 31 December 2016 (the exchange rate published by the State Administration of Foreign Exchanges of China as at 31 December 2016). Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

(3) Upon completion of the Further Acquisitions, the investment in BCP Group will be continually accounted for using the equity method. Any difference between the further cost of the investment and the Group's additional share of the net fair value of BCP Group's identifiable assets and liabilities will be accounted for as follows:

(a) Goodwill will be included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

(b) Any excess of the Group's share of the net fair value of BCP Group's identifiable assets and liabilities over the cost of the investment will be included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors had assumed that the Group's share of the net fair value of BCP Group's identifiable assets and liabilities at the completion date approximated to the cost of the investment. The reassessment of the fair value adjustment of the identifiable assets and liabilities acquired as at the completion date will be performed by the management and the information of the fair values of the identifiable assets and liabilities acquired is not available at the date of this circular.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2016

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

EY安永

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22 June 2017

To the Directors of Fosun International Limited:

We have completed our assurance engagement to report on compilation of the unaudited pro forma financial information of Fosun International Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to the "**Group**") after the acquisition of additional equity interests from 16.67% up to 30% of Banco Comercial Português, S.A. and its subsidiaries (hereinafter collectively referred to as "**BCP Group**", which is the associate company of the Group as at 31 December 2016) (the "**Acquisition Transaction**"), by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2016, and related notes as set out in Section A of Appendix III to the circular dated 22 June 2017 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the increase in the equity interests of BCP Group up to 30% by Chiado (Luxemburg) S. à r. l (an indirect wholly-owned subsidiary of the Company). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Section A of Appendix III to the Circular.

The Unaudited Pro Forma financial Information has been compiled by the Directors to illustrate the impact of the Acquisition Transaction on the Group's financial position as at 31 December 2016 as if the Acquisition Transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published 2016 annual report.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition Transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transactions in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of BCP for the three financial years ended 31 December 2014, 2015 and 2016. The discussion and analysis relate to the consolidated results and financial position of BCP.

MANAGEMENT DISCUSSION AND ANALYSIS OF BCP GROUP

Overview

Established in 1985, BCP is one of Portugal's largest privately owned banking groups by distribution network, total assets, gross loans to customers and customer funds, as at 31 December 2016. As at 31 December 2016, the Bank operated 618 branches throughout Portugal. The Bank offers a wide range of banking products and related financial services, both in Portugal and internationally such as 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. Outside of Portugal, the Bank has significant operations in Poland, Angola (following the merger of Banco Millennium Angola, S.A. ("BMA") with Banco Privado Atlântico, S.A. ("BPA"), BMA is now an associated company of BCP) and Mozambique. In addition, the Bank has a presence in Switzerland, the Cayman Islands and Macau Special Administrative Region of PRC. All of the Bank's operations are carried out under the "Millennium" brand. In Portugal, the Bank also operates under the "ActivoBank" brand.

BCP is engaged in a wide variety of banking and related financial services activities. The Bank's banking products and services include deposit-taking, short-term, medium-term and long-term lending, including mortgage lending, trade finance, credit cards, fund transfers, custody of securities, foreign exchange, savings and investments, consumer credit, commercial banking, leasing, private banking, treasury services and money market operations. BCP's domestic retail banking activities are conducted mainly through its branch network and follow a segmented approach to the Portuguese retail banking market to serve the diverse banking needs of its customers, while the Bank's corporate and small and medium-sized enterprises ("SME") clients are served through specialised product divisions and relationship managers that tailor services to a client's specifications, including operation cycles, investment plans and internationalisation strategies. In addition, the Bank offers remote banking services (telephone and internet banking). The Bank has integrated its back office operations for the distribution network in order to exploit economies of scale. In addition to its core banking product offering, the Bank also provides a variety of other related financial services, including investment banking, asset management and insurance.

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 Strategic Plan (as explained below) of BCP Group, creating conditions for growth and profitability.

In September 2012, BCP presented a new Strategic Plan, comprising three phases, to be implemented by 2017 (the "**Strategic Plan**"). The Strategic Plan was also updated in September 2013, following the approval of BCP's restructuring plan by the European Commission 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 optimization 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.

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, BCP 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 BCP 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 restated for the consolidated financial statements of Millennium bcp. We underline that the operations that were discontinued had the following impact: (i) with regard to the subsidiary company in Romania: in 2014 in terms of income statement items; (ii) with regard to 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) with regard to 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 unusual 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 unusual 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 euros 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.

Consolidated Balance Sheet as at 31 December 2016, 2015 and 2014

Unit: Million euros

	2014/12/31	2015/12/31	2016/12/31
ASSETS			
Cash and deposits at central banks	1,707.45	1,840.32	1,573.91
Loans and advances to credit institutions repayable on demand	795.77	776.41	448.23
Other loans and advances	1,456.03	921.65	1,056.70
Loans and advances to customers	53,685.65	51,970.16	48,017.60
Financial assets held for trading	1,674.24	1,188.81	1,048.80
Other financial assets held for trading at fair value through profit and loss	–	152.02	146.66
Financial assets available for sale	8,263.23	10,779.03	10,596.27
Assets with repurchase agreement	36.42	–	20.53
Hedging derivatives	75.33	73.13	57.04
Financial assets held to maturity	2,311.18	494.89	511.18
Investments in associated companies	323.47	315.73	598.87
Non current assets held for sale	1,622.02	1,765.38	2,250.16
Investment property	176.52	146.28	12.69
Property and equipment	755.45	670.87	473.87
Goodwill and intangible assets	252.79	210.92	162.11
Current tax assets	41.90	43.56	17.47
Deferred tax assets	2,398.56	2,561.51	3,184.93
Other assets	784.93	974.23	1,087.81
TOTAL ASSETS	76,360.92	74,884.88	71,264.81
LIABILITIES			
Amounts owed to credit institutions	10,966.16	8,591.05	9,938.40
Amounts owed to customers	49,816.74	51,538.58	48,797.65
Debt securities	5,709.57	4,768.27	3,512.82
Financial liabilities held for trading	952.97	723.23	547.59
Hedging derivatives	352.54	541.23	383.99
Provisions for liabilities and charges	460.29	284.81	321.05
Subordinated debt	2,025.67	1,645.37	1,544.56
Current income tax liabilities	31.79	22.29	35.37
Deferred income tax liabilities	6.69	14.81	2.69
Other liabilities	1,051.59	1,074.68	915.53
TOTAL LIABILITIES	71,374.01	69,204.31	65,999.63
EQUITY			
Share capital	3,706.69	4,094.24	4,268.82
Treasury shares	(13.55)	(1.19)	(2.88)
Share premium	–	16.47	16.47
Preference shares	171.18	59.91	59.91
Other capital instruments	9.85	2.92	2.92
Legal and statutory reserves	–	223.27	245.88
Fair value reserves	106.90	23.25	(130.63)
Reserves and retained earnings	458.09	(31.05)	(102.31)
Net income for the period attributable to Shareholders	(226.62)	235.34	23.94
Total Equity attributable to Shareholders of the Bank	4,212.54	4,623.17	4,382.12
Non-controlling interests	774.37	1,057.40	883.07
TOTAL EQUITY	4,986.91	5,680.57	5,265.18
	76,360.92	74,884.88	71,264.81

Consolidated Income Statement for the year ended 31 December 2016, 2015 and 2014

Unit: Million euros

	2014/12/31	2015/12/31	2016/12/31
Interest and similar income	2,652.64	2,158.97	1,910.00
Interest expense and similar charges	(1,536.49)	(968.37)	(679.87)
NET INTEREST INCOME	1,116.15	1,190.60	1,230.13
Dividends from equity instruments	5.89	9.65	7.71
Net fees and commission income	680.89	660.26	643.83
Net gains/losses arising from trading and hedging activities	154.25	118.20	101.83
Net gains/losses arising from available for sale financial assets	302.41	421.21	138.54
Net gains from insurance activity	–	10.23	4.97
Other operating income	(53.30)	(98.16)	(104.55)
TOTAL OPERATING INCOME	2,211.06	2,311.98	2,022.46
Staff costs	635.62	573.93	356.60
Other administrative costs	448.45	389.30	373.57
Depreciation	65.54	54.08	49.82
OPERATING EXPENSES	1,149.61	1,017.30	780.00
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	1,061.45	1,294.68	1,242.46
Loans impairment	(1,106.99)	(817.81)	(1,116.92)
Other financial assets impairment	(91.35)	(56.68)	(274.74)
Other assets impairment	(36.31)	(79.67)	(66.93)
Goodwill impairment	(0.15)	–	(51.02)
Other provisions	(81.47)	(23.74)	(88.39)
OPERATING NET INCOME	(254.81)	316.80	(355.53)
Share of profit of associates under the equity method	35.96	23.53	80.53
Gains/(losses) from the sale of subsidiaries and other assets	45.45	(32.01)	(6.28)
NET (LOSS)/INCOME BEFORE INCOME TAX	(173.41)	308.32	(281.28)
Income tax			
Current	(101.00)	(91.36)	(113.43)
Deferred	198.67	53.67	495.29
Net (loss)/income after income tax from continuing operations	(75.73)	270.63	100.59
Income arising from discontinued operations	(40.83)	90.33	45.23
NET INCOME/(LOSS) AFTER INCOME TAX	(116.56)	360.96	145.82
Attributable to:			
Shareholders of the Bank	(226.62)	235.34	23.94
Non-controlling interests	110.06	125.62	121.88
NET INCOME/(LOSS) FOR THE YEAR	(116.56)	360.96	145.82
Earnings per share (in euros)			
Basic	(0.005)	0.232	0.019
Diluted	(0.005)	0.232	0.019

Consolidated Statements of Cash Flows for the year ended 31 December 2016, 2015 and 2014

Unit: Million euros

	2016/12/31	2015/12/31	2014/12/31
Cash flows arising from operating activities			
Interests received	1,770.70	2,189.50	2,354.53
Commissions received	787.07	850.02	862.02
Fees received from services rendered	63.00	79.76	90.08
Interests paid	(667.68)	(1,061.62)	(1,635.32)
Commissions paid	(89.80)	(203.19)	(271.76)
Recoveries on loans previously written off	33.87	29.73	15.63
Net earned insurance premiums	13.74	28.62	26.74
Claims incurred of insurance activity	(9.21)	(10.44)	(10.64)
Payments to suppliers and employees	(929.40)	(1,453.64)	(1,491.42)
Income taxes (paid)/received	(57.94)	(98.85)	(85.51)
	914.35	349.89	(145.64)
Decrease/(increase) in operating assets:			
Receivables from/(Loans and advances to) credit institutions	(106.68)	518.60	(332.12)
Deposits held with purpose of monetary control	59.47	(94.54)	1,329.83
Loans and advances to customers receivable	1,788.93	673.51	3,386.49
Short term trading account securities	52.03	332.71	(121.14)
Increase/(decrease) in operating liabilities:			
Deposits from credit institutions repayable on demand	(28.04)	(76.62)	137.81
Deposits from credit institutions with agreed maturity date	1,423.51	(2,247.79)	(2,536.75)
Deposits from clients repayable on demand	2,357.66	3,750.80	1,556.64
Deposits from clients with agreed maturity date	(3,369.61)	(1,953.46)	(1,509.98)
	3,091.62	1,253.11	1,765.14
Cash flows arising from investing activities			
Sale of shares in subsidiaries and associated companies which results loss control	(496.19)	18.55	163.79
Dividends received	47.09	46.32	9.27
Interest income from available for sale financial assets and held to maturity financial assets	212.04	325.52	414.81
Sale of available for sale financial assets and held to maturity financial assets	5,617.82	12,572.77	13,340.67
Acquisition of available for sale financial assets and held to maturity financial assets	(29,050.15)	(65,920.45)	(81,733.44)
Maturity of available for sale financial assets and held to maturity financial assets	22,239.29	52,626.18	69,578.16
Acquisition of tangible and intangible assets	(69.28)	(90.82)	(119.76)
Sale of tangible and intangible assets	15.58	38.73	28.16
Decrease/(increase) in other sundry assets	(518.53)	72.64	(231.82)
	(2,002.33)	(310.56)	1,449.83

	2016/12/31	2015/12/31	2014/12/31
Cash flows arising from financing activities			
Sale of shares in subsidiaries companies which does not results loss control	–	301.75	–
Issuance of subordinated debt	6.71	0.66	0.42
Reimbursement of subordinated debt	(121.21)	(16.40)	(2,265.67)
Issuance of debt securities	188.94	309.59	3,912.30
Reimbursement of debt securities	(1,513.22)	(1,416.45)	(7,739.89)
Issuance of commercial paper and other securities	57.59	120.56	99.56
Reimbursement of commercial paper and other securities	(19.20)	(5.24)	(19.06)
Share capital increase	174.58	–	2,241.69
Dividends paid to non-controlling interests	(20.91)	(10.16)	(31.06)
Increase/(decrease) in other sundry liabilities and non-controlling interests	(365.05)	(72.77)	240.98
	(1,611.77)	(788.46)	(3,560.72)
Exchange differences effect on cash and equivalents	(72.11)	(150.95)	10.60
Net changes in cash and equivalents	(594.59)	3.14	(335.15)
Cash and equivalents at the beginning of the year	1,401.72	1,398.58	1,733.73
Deposits at Central Banks *(note 19)*	1,215.01	–	–
	2,616.73	1,398.58	–
Cash *(note 19)*	540.29	625.31	602.81
Deposits at Central Banks *(note 19)*	1,033.62	–	–
Loans and advances to credit institutions repayable on demand *(note 20)*	448.23	776.41	–
Cash and equivalents at the end of the year	2,022.14	1,401.72	–

Results of operations

Net income

The Bank's net income is affected by several factors, including the volume of business, interest margins, changes in the mix of assets and liabilities, capacity to generate non-interest income, ability to control operating expenses, provisions for loan losses and other risks, and the level of income tax.

Income Analysis

Million euros

	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.

Consolidated Net Income

2016 compared to 2015: For the year ended 31 December 2016, the net income attributable to shareholders of the Bank decreased to EUR 24 million, from that of EUR 235 million for the year ended 31 December 2015. This decrease was due primarily to 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 unusual items.

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 unusual items, and led to a 13 percentage points 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 unusual 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 unusual 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.

Unusual items, after taxes, include, in 2016, 350 million euros in additional loan impairment charges to reinforce the coverage level, 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.

2015 compared to 2014: For the year ended 31 December 2015, the net income attributable to shareholders of the Bank increased to EUR 235 million, from a net loss of EUR 227 million for the year ended 31 December 2014. This increase was due primarily to the positive impact from the measures implemented pursuant to the Strategic Plan and underpinned by the recovery of profitability in Portugal and the development of international activity.

For the year ended 31 December 2015, net income attributable to shareholders of the Bank benefited from the increase of net operating revenues, which reached EUR 2,304 million compared to EUR 2,147 million for the year ended 31 December 2014. It also benefited from the lower level of impairment losses and provisions charges of EUR 322.0 million. On a quarterly basis, net income was positive over 2015, with the exception of the fourth quarter, due to the extraordinary contribution of EUR 24.5 million that was made to the Banking Guarantee Fund by the subsidiary in Poland related to the bankruptcy of a bank in Poland, the contribution of EUR 3.7 million to the Mortgage Loan Restructuring Fund and the EUR 31.4 million contribution to the European Resolution Fund in the activity in Portugal.

The increase in net income attributable to shareholders of the Bank for the year ended 31 December 2015 was due primarily to the 15.9% increase in net interest income, reflecting primarily (i) the sustained reduction of term deposit rates and (ii) the lower cost of interest associated with the issuance of GSIs, which declined to EUR 65.4 million for the year ended 31 December 2015 from EUR 180.0 million for the year ended 31 December 2014, following the early redemption of EUR 2,250 million of GSIs carried out during 2014. Additionally, net income benefited from higher net trading income, which increased by 29.6%, sustained by the gains related to the sale of Portuguese sovereign debt securities. Moreover, net income benefited from the reduction in operating costs due primarily to the implementation of initiatives focused on increasing operating efficiency as set out in the Strategic Plan, namely in terms of costs savings of Portuguese activities through resizing, administrative reorganisation and process simplifications.

For the year ended 31 December 2015, the increase of net income attributable to shareholders of the Bank was affected by the activity in Portugal, which increased to EUR 44.2 million, from losses of EUR 387.3 million for the year ended 31 December 2014, sustained by the increase in net operating income, due in part to the increase in net interest income, and by lower levels of impairment charges (a reduction of EUR 346.0 million).

Net Income from International Operations

Net income of foreign subsidiaries[(1)]

Million euros

	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 in 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) 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.

(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)

Net income from international operations, before non-controlling interests, was EUR 303 million for the year ended 31 December 2015 (EUR 131 million attributable to Poland, EUR 85 million attributable to Mozambique, EUR 76 million attributable to Angola, EUR 6 million attributable to Switzerland and EUR 5 million attributable to Cayman) and EUR 295 million for the year ended 31 December 2016 (EUR 160 million attributable to Poland, EUR 71 million attributable to Mozambique, EUR 37 million attributable to Angola, EUR 13 million attributable to Atlantico, EUR 6 million attributable to Switzerland and EUR 7 million attributable to Cayman Islands). Considering the contribution to consolidated results, on a comparable basis (i.e., assuming shareholding in Bank Millennium (Poland) constant at 50.1% and excluding discontinued operations) the contribution from international activity was EUR 177 million for the year ended 31 December 2015 and EUR 173 million for the year ended 31 December 2016.

2016 compared to 2015: 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 unusual 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 contributions in Poland, which more than offset the gains from the purchase of Visa Europe by Visa Inc., also in the subsidiary company in Poland. Excluding exchange rate effects, net income increased 20.9% 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 net operating 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, together with the improvement of funding costs and to the rise in volumes, which more than offset the introduction of a new tax on banks, 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). 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 from the operations in Angola by the end of 2016.

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 on the other.

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 net operating income, especially net interest income, which was conditioned by the fall in interest rates and turnover.

2015 compared to 2014: For the year ended 31 December 2015, net income from international operations (excluding the impact of the operations in Greece and Romania) decreased by 11.9% to EUR 177 million, from EUR 201 million for the year ended 31 December 2014. This decrease was due primarily to a decrease in the net income of Bank Millennium in Poland, as a result of the extraordinary contributions of EUR 28.2 million recorded at the end of 2015 in respect of the bankruptcy of a Polish bank and the contribution to the Mortgage Loan Restructuring Fund, the effect of foreign exchange results in Millennium bim in Mozambique, together with the lower net income reported in the activities in Switzerland and the Cayman Islands, as well as the increase in operating costs, impairments and other provisions.

For the year ended 31 December 2015, the net income of Bank Millennium in Poland decreased by 15.8% to EUR 130.7 million, from EUR 155.2 million for the year ended 31 December 2014. This result was primarily due to certain extraordinary items, accounted in the fourth quarter of 2015, including the additional contribution to the Deposit Guarantee Fund (a fund that was established to guarantee the reimbursement of funds deposited in Credit Institutions) associated with the bankruptcy of a Polish bank, the contribution to the Mortgage Loan Restructuring Fund, the fine imposed by the competition authority associated with card-related commissions and the provisions for taxes. The reduction of net interest income was partly offset by a decrease in operating costs.

For the year ended 31 December 2015, the net income of Millennium bim in Mozambique decreased by 5% (0.2% increase, excluding foreign exchange effect) to EUR 84.2 million, compared to EUR 88.5 million for the year ended 31 December 2014. The increase in net operating revenues, in particular net interest income, which was associated with increased customer business, and foreign exchange results, was in part offset by increases in operating costs, impairments and other provisions.

For the year ended 31 December 2015, the net income of BMA increased by 47.7% to EUR 75.7 million, from EUR 51.2 million for the year ended 31 December 2014. This increase was in part due to the increase in net interest income, associated with the increase in loans to customers and customer deposits, and foreign exchange rate results, which were partly offset by an increase in operating costs derived from the expansion of the branch network and in impairments and other provisions.

For the year ended 31 December 2015, the net income of Millennium Banque Privée decreased by 17% to EUR 6.0 million, from EUR 7.2 million for the year ended 31 December 2014. Excluding the effect of the appreciation of the Swiss franc, this decrease resulted from the decrease in commissions related to brokerage and placement of third party entities' products and of net interest income, associated with the reduction of loans to customers and lower market interest rates, in spite of an increase in foreign exchange results and operating costs savings.

For the year ended 31 December 2015, the net income of Millennium bcp Bank & Trust in the Cayman Islands decreased by 37.7% to EUR 4.9 million, from EUR 7.9 million for the year ended 31 December 2014. This decrease was due primarily to the decrease in net interest income, determined by lower customer deposits and the reduction of the interest rate on loans and advances to credit institutions, and a decrease of operating costs and credit impairment, in spite of the positive contribution of net trading income.

Net interest income

The Bank generates interest income from loans to customers, from interest-bearing securities the Bank holds on its balance sheet and from inter-bank lending. The Bank's interest expense consists of interest payable on customer deposits, interest payable on outstanding interest-bearing securities the Bank has issued and interest payable on inter-bank loans. The following tables show the factors influencing net interest income based on the change in average balances for the periods indicated.

Factors Influencing net Interest Income

Million euros

	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

FACTORS INFLUENCING NET INTEREST INCOME

Million euros

2015 vs 2014	Volume	Rate	Rate/ Volume mix	Net change
INTEREST EARNING ASSETS				
Deposits in credit institutions	–	(12)	–	(12)
Financial assets	(55)	(82)	11	(126)
Loans and advances to customers	(70)	(106)	4	(172)
TOTAL INTEREST EARNING ASSETS	(123)	(196)	9	(310)
INTEREST BEARING LIABILITIES				
Amounts owed to credit institutions	(10)	(2)	1	(11)
Amounts owed to customers	30	(244)	(9)	(223)
Debt issued and financial liabilities	(124)	(28)	11	(141)
Subordinated debt	(110)	(18)	8	(120)
TOTAL INTEREST BEARING LIABILITIES	(88)	(433)	26	(495)
NET INTEREST INCOME	(35)	237	(16)	186

Consolidated Net Interest Income

2016 compared to 2015: 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 basis points 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.

2015 compared to 2014: For the year ended 31 December 2015, net interest income increased by 16.6% to EUR 1,301.6 million, from EUR 1,116.2 million for the year ended 31 December 2014. The increase in net interest income was primarily due to an increase in the activity in Portugal. This increase was due in part to the decreased interest related to the issuance of GSIs, which fell from EUR 180.0 million in 2014 to EUR 65.4 million in 2015, reflecting the early redemption of EUR 2,250 million carried out during 2014.

For the year ended 31 December 2015, net interest income was positively affected by the favourable interest rate effect of EUR 237 million, benefiting from the decrease of the cost of term deposits and the early partial redemption of the GSIs during 2014. Nevertheless, this increase was partly offset by the volume effect, which was negative EUR 35 million from 2014 to 2015, reflecting the lower volume of interest earning assets, in particular loans and advances to customers and financial assets, partly offset by the lower volume of debt securities issued and subordinated debt.

The improvement of the loan-to-deposit ratio and the reduction of the commercial gap, between the end of 2014 and the end of 2015, was driven in part by an increase in customer deposits, the successful strategy of adjusting the funding structure, with a particular focus on strengthening stable balance sheet funds, and in part by the simultaneous decrease in loans to customers. This was due to the persistence of an adverse economic climate and by the continued adjustment process of household and company debt levels, leading to lower demand for credit.

For the year ended 31 December 2015, net interest income associated with Portugal increased by 35% to EUR 711.3 million, from EUR 527.0 million for the year ended 31 December 2014. The increase was primarily due to (i) the positive interest rate effect, which was in part due to the sustained reduction of the term deposit rate, in line with the strategy to support companies and consumption, and (ii) the lower cost of the GSIs, partly due to the early redemption of EUR 2,250 million made during 2014. However, net interest income associated with Portugal was negatively affected by the lower volume of the loans portfolio, partly offset by the reduction in the balance of debt securities issued and subordinated debt.

For the year ended 31 December 2015, net interest income associated with international activity increased to EUR 590.2 million, from EUR 589.1 million for the year ended 31 December 2014, partly due to the increased volume of deposits and loans, as well as due to the reduction of the cost of deposits, partly offset by decreased loans remuneration rate. The increase in net interest income benefited from the increase in activity developed in Angola and Mozambique.

Average Balances

The following table sets forth information relating to the average balances of BCP's interest-earning assets and interest-bearing liabilities, the related interest income and expense amounts and the average yield/ rate for the periods indicated:

Average Balances

Million euros

	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 Greece, in Romania and of Millennium bcp Gestão de Activos, as well as respective consolidation adjustments.

(2) Net interest income as a percentage of average interest earning assets.

Note: Interest related to hedge derivatives were allocated, in 2015, 2014 and 2013, to the respective balance item.

2016 compared to 2015: 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).

2015 compared to 2014: For the year ended 31 December 2015, average net assets decreased by 4.2% to EUR 77,128 million, from EUR 80,543 million for the year ended 31 December 2014. This decrease was in part the result of a reduction of 7.1% in interest earning assets to EUR 65,517 million for the year ended 31 December 2015, from EUR 70,558 million for the year ended 31 December 2014, which was primarily due to the decrease in the average balance of loans to customers (EUR 52,318 million for the year ended 31 December 2015 compared to the EUR 55,068 million for the year ended 31 December 2014) and to the lower average balance of the financial assets (EUR 10,184 million for the year ended 31 December 2015 compared to EUR 12,236 million for the year ended 31 December 2014), reflecting the impact of the sale of a public debt bonds portfolio that led to relevant gains in net trading income in 2015.

For the year ended 31 December 2015, average total interest bearing liabilities decreased by 8.2% to EUR 66,860 million, from EUR 72,817 million for the year ended 31 December 2014. This decline was in part a result of the reduction of debt issued and financial liabilities of EUR 5,318 million for the year ended 31 December 2015 (EUR 8,550 million for the year ended 31 December 2014), due in part to the decrease in the balance of medium and long term debt, namely medium-term notes and bonds, and the decrease in deposits from credit institutions to EUR 10,712 million for the year ended 31 December 2015 (EUR 12,217 million for the year ended 31 December 2014), reflecting the lower exposure to the ECB, combined with the reduction of the average balance of subordinated debt (EUR 3,335 million for the year ended 31 December 2014, compared to EUR 1,837 million for the year ended 31 December 2015), resulting from the early reimbursement of EUR 2,250 million GSIs in 2014. This decrease was partly offset by the increase in the average balance of customer deposits to EUR 48,993 million for the year ended 31 December 2015 (EUR

48,715 million for the year ended 31 December 2014), the initiatives implemented by the Bank to further increase and retain stable balance sheet funds aimed at reducing the commercial gap and the primary funding of loan activity by customer deposits.

In terms of the average balance sheet structure, interest earning assets represented 84.9% of the net assets for the year ended 31 December 2015, compared to 87.6% for the year ended 31 December 2014. The weight of the loans to customers component in the balance sheet structure increased to 67.8% of net assets for the year ended 31 December 2015 (68.4% for the year ended 31 December 2014) and continues to be the main component of the interest earning assets portfolio. The weight of the financial assets portfolio in the balance sheet structure decreased to 13.2% of net assets for the year ended 31 December 2015 (15.2% for the year ended 31 December 2014) and the weight of loans and advances to credit institutions in the average total assets increased to 3.9% for the year ended 31 December 2015 (4.0% for the year ended 31 December 2014).

In terms of structure of average interest bearing liabilities, customer deposits continued to be the main source of funding and support of the loans granting activity, representing 73.3% of the interest bearing liabilities for the year ended 31 December 2015 (66.9% for the year ended 31 December 2014), supported by the strategic focus on further increasing and retaining stable funding components, in particular to grow and retain on-balance sheet customer funds. As funding source, customer deposits were followed by deposits from credit institutions, the portion of which decreased to 16.0% for the year ended 31 December 2015 of the average balance of interest bearing liabilities, from 16.8% for the year ended 31 December 2014. The debt securities issued and financial liabilities as part of interest bearing liabilities decreased to 8.0% for the year ended 31 December 2015 (11.7% for the year ended 31 December 2014), in parallel with the decrease of the weight of subordinated debt in total interest bearing liabilities to 2.7% in 2015 (4.6% for the year ended 31 December 2014).

The average equity balance between the end of 2014 and the end of 2015 reflects the share capital increase that occurred through the public exchange offer on 11 June 2015, which increased the share capital from EUR 3,707 million to EUR 4,094 million through the issuance of 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 and the listing of the new ordinary shares on Euronext Lisbon. The average equity balance was also due to the increase in net income and the change in non-controlling interests associated with the sale of 15.41% of the share capital of Bank Millennium, S.A. (Poland).

For the year ended 31 December 2015, net interest margin increased to 1.79%, from 1.56% for the year ended 31 December 2014, in part due to the increase in net interest margin observed in the activity in Portugal, which more than offset the lower interest margin reported in international activity. Excluding the impact of the GSIs funding cost, for the year ended 31 December 2015, net interest margin increased to 1.89%, from 1.81% for the year ended 31 December 2014. The average balance sheet reflects a reduction between 2014 and 2015 of the average interest rates of the components directly related to operations with customers, in particular the effect associated with the reduction of average interest rate of loans to customers that was only partly offset by the effect of the decrease recorded in the average interest rate of customer deposits.

Other net income

Other net income includes dividends from equity instruments, net fees and commissions income, net trading income (including net gains/(losses) arising from trading and hedging activities, net gains/(losses) arising from financial assets held to maturity and net gains/(losses) arising from financial assets available for sale), other net operating income and share of profit of associates under the equity method.

Other net income

Million euros

	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 facilitate the comparability of information, the demonstration of the results of 2014 was adjusted to simulate the recording of the activity of BMA as a discontinued or discontinuing operation.

2016 compared to 2015: 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.

2015 compared to 2014: For the year ended 31 December 2015, other net income decreased by 0.5% to EUR 1,113 million, from EUR 1,119 million for the year ended 31 December 2014.

Dividends from equity instruments

Dividends from equity instruments include dividends and income from participation units received from investments in financial assets held for trading and available for sale.

2016 compared to 2015: 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 BCP Group's investments that incorporate the shares portfolio (5 million euros) and the investment fund participation units (3 million euros).

2015 compared to 2014: For the year ended 31 December 2015, dividends from equity instruments increased to EUR 11.9 million, from EUR 5.9 million for the year ended 31 December 2014. This increase was primarily due to the income associated with the Bank's shares portfolio (EUR 9.2 million) and the investment fund participation units (EUR 2.8 million).

Net fees and commissions income

Net fees and commissions income include commissions related to the Bank's banking business as well as commissions directly related to financial markets.

Net commissions

Million euros

	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	124	0.0%
Bancassurance	77	75	73	1.8%
Current accounts related	91	84	77	7.3%
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 facilitate the comparability of information, the demonstration of the results of 2014 was adjusted to simulate the recording of the activity of BMA as a discontinued or discontinuing operation.

2016 compared to 2015: 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 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 Portugal, 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%).

2015 compared to 2014: For the year ended 31 December 2015, net fees and commissions income increased by 1.7% to EUR 660 million, from EUR 649 million for the year ended 31 December 2014. This increase was primarily due to activity in Portugal, which increased by 3.5%, between the years ended 31 December 2014 and 2015.

For the year ended 31 December 2015, net fees and commissions income relating to the banking business increased by 3.3% (EUR 17 million increase) to EUR 530 million, from EUR 513 million for the year ended 31 December 2014, primarily due to the activity in Portugal, in particular the growth of the commissions related to loans and guarantees and commissions related to current accounts, thereby strengthening the positive effect associated with the decreased cost of the guarantee by the Portuguese State to debt securities issued, in spite of the decrease in the commissions from cards and transfers.

For the year ended 31 December 2015, commissions associated with the card business and transfers decreased by 10.7% to EUR 159 million, from EUR 178 million for the year ended 31 December 2014, partly due to commissions related to cards recorded by the international activity, in particular by the reduction of the interchange fees in the subsidiary in Poland.

For the year ended 31 December 2015, commissions related to loan operations and guarantees increased by 29.0% to EUR 160 million, from EUR 124 million for the year ended 31 December 2014. This increase was due in part to the commissions related to the issue of guarantees recorded in the activity in Portugal and the commissions related to loan operations by the subsidiaries in Poland, Angola and Mozambique.

For the year ended 31 December 2015, bancassurance commissions, which includes commissions obtained for the placement of insurance products through the commercial structure of the Bank's distribution networks in Portugal, increased by 2.7% to EUR 75 million, from EUR 73 million for the year ended 31 December 2014.

For the year ended 31 December 2015, commissions related to the opening and maintenance of customer accounts increased by 9.1% to EUR 84 million, from EUR 77 million for the year ended 31 December 2014, due in part to increase in the activity in Portugal.

The amount of net fees and commissions income for 2014 includes the cost related to the guarantee provided by the Portuguese State to the Bank's debt securities issued and which, following the repurchase and cancellation of all of these in October 2014, reached a total of EUR 22.7 million in 2014. For the year ended 31 December 2015, other banking commissions decreased both in the activity in Portugal and in the international activity, reaching EUR 51 million in 2015 compared to EUR 62 million in 2014.

For the year ended 31 December 2015, commissions related to financial markets decreased by 4.4% to EUR 130 million, from EUR 136 million for the year ended 31 December 2014, in part due to the lower level of securities transactions, partially mitigated by the performance of the international component, in particular the activity of the subsidiary in Poland, which increased by 2.0% and was partly due to asset management commissions. The activity in Portugal decreased due to the commissions related to the assembly of operations.

For the year ended 31 December 2015, commissions associated with securities transactions decreased by 6.2% to EUR 91 million, compared to EUR 97 million in 2014. This decrease reflects the lower commissions from the placement and structuring of operations in the primary and secondary market in the activity in Portugal in 2015.

For the year ended 31 December 2015, commissions related to asset management increased to EUR 39.1 million, from EUR 38.7 million for the year ended 31 December 2014. This increase benefited from the international activity, due to, in particular, the commissions obtained by the subsidiary in Poland. The decrease recorded by the activity in Portugal was entirely offset by the performance of the international activity.

Net trading income

Net trading income

Million euros

	2016	2015 (re-stated)	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 facilitate the comparability of information, the demonstration of the results of 2014 was adjusted to simulate the recording of the activity of BMA as a discontinued or discontinuing operation.

(2) Includes results from trading and hedging activities and from available for sale financial assets.

2016 compared to 2015: 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.

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.

2015 compared to 2014: For the year ended 31 December 2015, net trading income increased by 29.6% to EUR 539 million, from EUR 416 million for the year ended 31 December 2014. The increase in net trading income was in part due to the activity in Portugal, which was primarily due to the gains related to the sale of Portuguese public debt securities (treasury bonds) of EUR 394.7 million for the year ended 31 December 2015, compared to EUR 319.2 million for the year ended 31 December 2014. In the international activity, net trading income increased to EUR 96 million for the year ended 31 December 2015, from EUR 73 million for the year ended 31 December 2014. The increase was primarily due to the gains obtained with foreign exchange transactions carried out by the subsidiaries in Angola and Mozambique.

Other net operating income

2016 compared to 2015: 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 European Resolution Fund, 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).

2015 compared to 2014: For the year ended 31 December 2015, other net operating loss increased to EUR 121.8 million, from a net operating income of EUR 11.4 million for the year ended 31 December 2014.

In the activity in Portugal, the amount reported in 2014 was due to the booking of capital gains of EUR 69.4 million associated with the sale of the financial stakes held in the non-life insurance associates, while the amount recorded in 2015 includes the cost related to the contribution of EUR 31.4 million to the European resolution fund, the additional contribution of EUR 6.4 million (EUR 8.0 million in 2014) required by the national Resolution Fund, the contribution imposed on the banking sector of EUR 24.9 million (EUR 37.2 million in 2014) and the contribution to the Deposit Guarantee Fund of EUR 1.3 million (EUR 6.1 million in 2014).

In 2015, the international activity included the extraordinary contribution of EUR 24.6 million in the fourth quarter of 2015 to the Deposit Guarantee Fund in Poland due to the bankruptcy of a Polish bank and of EUR 3.7 million to the Mortgage Loan Restructuring Fund.

Share of profit of associates under the equity method

Share of profit of associates under the equity method includes the results allocated to the Bank associated with the consolidation of entities over which the Bank exercises significant influence, but does not control the financial and operating policies.

	2016	**2015** (restated)	**2014**
	Euro'000	*Euro'000*	*Euro'000*
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	26,036	8,186	35,818
Unicre – Instituição Financeira de Crédito, S.A.	27,332	5,267	1,664
Banco Millennium Atlântico, S.A.	13,306	–	–
Banque BCP, S.A.S.	2,981	2,972	2,770
SIBS, S.G.P.S, S.A.	11,723	2,494	2,874
Banque BCP (Luxembourg), S.A.	51	54	82
VSC – Aluguer de Veículos Sem Condutor, Lda.	–	45	599
Other companies	(904)	4,510	(7,847)
	80,525	23,528	35,960

2016 compared to 2015: 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, BCP 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, BCP 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.

2015 compared to 2014: For the year ended 31 December 2015, share of profit of associates under the equity method decreased by 34.6% to EUR 23.5 million, from EUR 36.0 million for the year ended 31 December 2014.

The decrease in share of profit of associates under the equity method for the year ended 31 December 2015 was in part due to a 77.1% reduction, representing a decrease of EUR 27.6 million compared to the year ended 31 December 2014, related to the results from the 49% stake held in Millenniumbcp Ageas, due to the sale of the non-life business in the second quarter of 2014, within the scope of the process of focusing on core activities as defined in the Strategic Plan. Share of profit of associates under the equity method also incorporate the increase in the results from the stakes held in other subsidiaries, namely Luanda Waterfront Corporation (EUR 11.4 million) and Unicre – Instituição Financeira de Crédito, S.A. (EUR 3.6 million).

Operating costs

Operating costs

Million euros

	2016	2015 (re-stated)	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	–	
Legislative change related to mortality allowance	(186)	–	–	
Total	**780**	**1,017**	**1,076**	**-23.3%**

(1) In order to facilitate the comparability of information, the demonstration of the results of 2014 was adjusted to simulate the recording of the activity of BMA as a discontinued or discontinuing operation.

(2) Excludes impacts of specific items presented in the table.

2016 compared to 2015: 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 contributions to the Health System (SAMS); 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 unusual 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).

2015 compared to 2014: For the year ended 31 December 2015, operating costs decreased by 5.5% to EUR 1,017 million (EUR 1,011 million excluding specific items), from EUR 1,076 million for the year ended 31 December 2014. The reduction of operating costs, due to the implementation of the guidelines defined by the Strategic Plan, contributed to a decrease in the cost-to-income ratio (which consists of operating costs divided by net operating revenues, excluding specific items), induced by the 4.2% reduction in staff costs, the 5.3% reduction in amortisation and depreciation, and the 5.8% reduction in other administrative costs.

In the activity in Portugal, operating costs decreased by 7.8% to EUR 638 million for the year ended 31 December 2015 (EUR 632.2 million excluding EUR 5.8 million of specific items), from EUR 692 million for the year ended 31 December 2014. However, excluding specific items, operating costs of the activity in

Portugal decreased by 7.8%, from 31 December 2014, reflecting the 9.7% savings in staff costs through the reduction of the number of employees and the temporary measures of salary reduction initiated in 2014. These temporary measures initiated under the restructuring plan will be reversed after the repayment of the GSIs or on 31 December 2017. The cost-to-core income ratio (operating costs divided by the sum of net interest income and net fees and commissions) of the activity in Portugal decreased to 56% for the year ended 31 December 2015, from 72% for the year ended 31 December 2014.

In the international activity, operating costs decreased by 2.9% to EUR 373 million for the year ended 31 December 2015, from EUR 384 million for the year ended 31 December 2014.

For the year ended 31 December 2015, the consolidated cost-to-income ratio, excluding the impact of specific items, decreased to 44.0%, from 51.7% for year ending 31 December 2014. This improvement was due primarily to the reduction of operating costs and the increase of net operating revenues. The cost-to-income ratio, excluding specific items, of the activity in Portugal improved, standing at 41.1% in 2015 compared to 53.7% in 2014, benefiting from the increase in net interest income and the operating cost component. In the international activity, the growth of net operating revenues offset the operating costs increase. As a result, the cost-to-income ratio improved to stand at 48.7% in 2015 (49.1% in 2014).

Staff costs

Staff costs

Million euros

	2016	2015 (re-presented)	2014 (comparable) (1)	Chan. % 16/15
Salaries and remunerations	416	435	461	-4.3%
Social security 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%
Partial transfer of liabilities with pensions	(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.

2016 compared to 2015: 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.

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 (with a decrease of 67 employees), partly offset by Mozambique (with an increase of 46 employees).

2015 compared to 2014: For the year ended 31 December 2015, staff costs declined by 4.8% to EUR 574 million (EUR 568 million excluding specific items), from EUR 603 million for the year ended 31 December 2014. This reduction was due in part to the performance of the activity in Portugal, in spite of the increase in international activity.

In the activity in Portugal, staff costs (excluding the aforementioned specific items) decreased by 9.7% to EUR 371 million for the year ended 31 December 2015, from EUR 411 million for the year ended 31 December 2014, primarily due to the effects of the restructuring programme through the reduction of the number of employees to 7,459 at the end of 2015, compared to 7,795 at the end of 2014.

In the international activity, staff costs increased by 2.0% to EUR 197 million for the year ended 31 December 2015, from EUR 193 million for the year ended 31 December 2014, representing 34.6% of total staff costs on a consolidated basis for the year ended 31 December 2015 (32.0% for the year ended 31 December 2014). This increase was partly due to the increases in the subsidiaries in Angola and in Mozambique, partly offset by staff cost stabilisation in Bank Millennium in Poland. At the end of 2015, the number of employees allocated to the international activity declined by 1.2% to 9,724, compared to 9,845 as at 31 December 2014. The number of employees in the international activity decreased between the end of 2015 and the end of 2014, including Poland (197 employees) and Mozambique (8 employees), notwithstanding the increase in the activities in Angola and Switzerland.

Other administrative costs

Other administrative costs

				Million euros
	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.

2016 compared to 2015: 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.

In the international activity, other administrative costs amounted to 141 million euros in 2016, a 7.7% decrease (an increase of 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.

2015 compared to 2014: For the year ended 31 December 2015, other administrative costs decreased by 6.5% to EUR 389 million, from EUR 416 million for the year ended 31 December 2014, partly due to the savings obtained in the rents, advertising and maintenance and repair line items.

The reduction of other administrative costs was partly due to the 4.9% decrease in the activity in Portugal as a result of the implementation of various initiatives to improve operating efficiency, namely through the optimisation of the branch network, which had a total of 671 branches at the end of 2015, representing a reduction of 24 branches compared to the 695 branches at the end of 2014.

In the activity in Portugal, the decrease in other administrative costs to EUR 234.7 million in 2015, from EUR 246.9 million in 2014, was due to the effects of the renegotiation of contracts, the cutting of costs related to consumption and the lower costs related to rents, dispatch services and maintenance and repair, which more than offset the increase of costs related to advertising and sponsorships.

In the international activity, other administrative costs decreased by 6.2% to EUR 189.1 million for the year ended 31 December 2015, from EUR 201.5 million for the year ended 31 December 2014. The reduction was partly due to the operation in Poland, in particular in costs related to rents, advertising and outsourcing, offsetting the increase registered in costs related to maintenance and repair. The total number of branches allocated to the international activity decreased by 7 branches to 671 branches as at 31 December 2015, from 678 branches as at 31 December 2014.

Depreciation

2016 compared to 2015: 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.

2015 compared to 2014: For the year ended 31 December 2015, depreciation increased by 1.6% to EUR 66.6 million, from EUR 65.5 million for the year ended 31 December 2014. The increase was mainly due to the international activity, partly offset by the decrease recorded in Portugal. Depreciation related to the international activity represented 54.5% of the consolidated total for the year ended 31 December 2015, compared to 50.5% for the year ended 31 December 2014.

For the year ended 31 December 2015, depreciation in the activity in Portugal decreased by 6.5% (EUR 2.1 million reduction), compared to the year ended 31 December 2014. This decrease reflects the gradual end of the depreciation period of investments made in previous years and in particular the lower level of depreciation recorded in the headings of real estate properties and software.

For the year ended 31 December 2015, depreciation in the international activity increased by 9.7%, an increase of EUR 3.2 million, compared to the year ended 31 December 2014. This was due to the performance of the line items related to real estate properties, equipment and software, primarily reflecting the expansion of the operations developed in Angola and in Mozambique, partially offset by the decrease in Poland.

Loan impairment charges and credit recoveries

Loan impairment charges (net of recoveries)

Million euros

	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.

2016 compared to 2015: 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 Non Performing Loans 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.

2015 compared to 2014: For the year ended 31 December 2015, loan impairment charges (net of recoveries) decreased by 25.4% to EUR 818 million, from EUR 1,097 million for the year ended 31 December 2014. This decrease was due to the slow-down of the charges net of recoveries observed in the activity in Portugal in the amount of EUR 291.0 million.

In the international activity, loan impairment charges (net of recoveries) increased by 19.7% to EUR 103.2 million for the year ended 31 December 2015, from EUR 86.2 million for the year ended 31 December 2014. This increase was due to the higher charges levels observed both in the subsidiaries in Mozambique and in Angola, although at a lower scale in the latter.

In spite of the evolution observed in Portugal, 2015 still showed a significant provisioning effort, as foreseen in the guidelines set in the Strategic Plan, with the cost of risk improving to 150 basis points, compared to 194 basis points in 2014. The cost of risk (impairment charges as a percentage of total loans) associated with the activity in Portugal improved to 175 basis points in 2015, compared to 233 basis points in 2014. The credit at risk in total credit ratio decreased from 12.0% for the year ended 31 December 2014 to 11.3% for the year ended 31 December 2015. Impairment charges associated with Portugal decreased to EUR 730 million in 2015, compared to EUR 1,021 million in 2014.

Other impairment 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.

2016 compared to 2015: 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 (with an increase of 218 million euros), related to the stakes held in the corporate restructuring funds, to other impairments and provisions (with an increase of 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 (with an increase of 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.

2015 compared to 2014: For the year ended 31 December 2015, charges for other impairment and provisions decreased by 22.9% to EUR 161.3 million, from EUR 209.3 million for the year ended 31 December 2014. This decrease reflects the lower level of charges related to impairment of other financial assets (38.0% decrease), related to the stakes held in the restructuring funds, and other impairments and provisions (11.2% decrease). The evolution in the impairment of other financial assets reflects the reduction of impairment charges related to guarantees provided and other contingencies in the activity in Portugal.

In the international activity, charges for other impairment and provisions increased to EUR 8.6 million for the year ended 31 December 2015, compared to EUR 1.5 million for the year ended 31 December 2014, reflecting the reinforcement registered by the subsidiaries in Poland, Angola and Mozambique.

Income tax

2016 compared to 2015: 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).

The following table sets forth a reconciliation between the effective tax rate and nominal tax rate for the years ended 31 December 2016 and 2015:

	2016	**2015**
	Euros '000	*Euros '000*
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	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.

2015 compared to 2014: For the year ended 31 December 2015, income tax (current and deferred) increased to EUR 56.4 million, from negative EUR 97.7 million for the year ended 31 December 2014.

In 2015, this tax included current tax costs of EUR 99.7 million (EUR 101.0 million in 2014), net of deferred tax income of EUR 43.3 million (EUR 198.7 million in 2014).

The deferred tax income in 2015 mainly refers to impairment losses which are not deductible for purposes of calculation of taxable profit, net of the annulment of deferred tax associated with tax losses.

The following table sets forth a reconciliation between the effective tax rate and nominal tax rate for the years ended 31 December 2015 and 2014:

	Year ended 31 December 2015	2014
	(EUR in million unless specified otherwise)	
Net income/(loss) before income taxes	402.7	(173.4)
Current tax rate	29.5%	31.5%
Expected tax	(118.8)	54.6
Accruals for the purpose of calculating the taxable income(1)	(58.5)	(42.2)
Deductions for the purpose of calculating the taxable income(2)	49.1	72.5
Fiscal incentives not recognised in profit/loss accounts(3)	10.9	8.8
Effect of the difference of rate tax and of deferred tax not recognised previously(4)	62.9	7.3
Correction of previous years	(0.2)	(0.7)
(Autonomous tax)/tax credits	(1.7)	(2.7)
	(56.4)	97.7
Effective rate	14.0%	56.3%

(1) Refers, essentially, to the tax associated with the additions of impairment losses not deductible for tax purposes and the contribution over the banking sector, the net income of non-resident companies and accounting losses generated by investment funds included in the perimeter consolidation.

(2) This is mainly associated with the tax deductions of net income of associated companies consolidated under the equity method and capital gains on the sale of investments.

(3) Regards essentially interests on public debt of Angola.

(4) Corresponds, essentially, to the recognition of deferred tax assets associated to post-employment benefits or long-term employee in excess of the limits and the effect of foreign tax rate difference.

Non-controlling interests

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

2016 compared to 2015: 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.

2015 compared to 2014: At the end of March 2015, the Bank sold 15.41% of the share capital of Bank Millennium, S.A. (Poland) through the accelerated placement of 186,979,631 ordinary shares, for the unit value of PLN 6.65, thereby achieving capital gains of EUR 31.0 million recognised against reserves.

Non-controlling interests primarily refer to the net income for the year attributable to third parties related to the shareholdings held in Bank Millennium in Poland (49.9%), Millennium bim in Mozambique (33.3%) and BMA (49.9%), standing at EUR 125.6 million in 2015 (EUR 110.1 million in 2014). This performance was primarily due to the increase in net income of BMA, corresponding to an increase of EUR 12.2 million, and the increase of EUR 5.7 million derived from the sale of 15.41% of the share capital of the subsidiary in Poland.

Review of the balance sheet

Balance sheet

Balance sheet at 31 December

Million euros

	2016	2015	2014	Chan. % 16/15
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	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 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.

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.

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).

As at 31 December 2015, the Bank had total assets of EUR 74,885 million (EUR 76,361 million as at 31 December 2014).

Loans to customers (net of impairment) stood at EUR 51,970 million as at 31 December 2015, which decreased from EUR 53,685 million as at 31 December 2014. Loans to customers (net of impairment) decreased by 3.2% between 31 December 2014 and 31 December 2015.

Deposits from customers was EUR 51,539 million as at 31 December 2015, which comprise the activity in Angola, which recorded customer deposits in the amount of EUR 1,692 million as at 31 December 2015. Excluding the effects associated with the activity in Angola, consolidated customer deposits as at 31 December 2015 would remain at EUR 49,847 million.

Customer deposits increased to EUR 51,539 million as at 31 December 2015 (EUR 49,817 million at the end of 2014), driven both by the activity in Portugal (+1.2%), supported by the good performance of the Retail network, and by the international activity (+8.5%), which continued its effort to attract deposits, to which the performance of the subsidiaries in Poland and in Angola contributed, in spite of the reduction shown in the operation in Mozambique and in the Cayman Islands.

Loans to customers

Loans by type of customer and sector of activity:

Loans and advances to customers(*)

Million euros

	2016	**2015 (re-presented)**	**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	
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 by geography and sector of activity:

Loans and advances to Customers(*)

Million euros

	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	-100.00%
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.

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.

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 to customers, before loan impairment, amounted to EUR 55,438 million as at 31 December 2015, corresponding to a 3.0% decrease compared to the EUR 57,168 million reported as at 31 December 2014, mainly penalised by loans to companies, which maintained the downward trend recorded over the last few years, reaching EUR 25,358 million as at 31 December 2015 (EUR 26,693 million at the end of 2014).

The performance of the loan portfolio, between 31 December 2014 and 31 December 2015, was due to the 5.0% contraction in the loans and advances to customers portfolio of the activity in Portugal, while the international activity recorded an increase of 3.4%, over the same period, due to an increase in Bank Millennium in Poland, which more than offset the decrease of all the other international loan portfolios, namely the subsidiaries in Angola (0.9%) and Mozambique (6.9%), which was primarily due to the foreign exchange effect associated with the portfolio.

The retraction of loans to customers in Portugal was evident both in terms of loans to individuals (3.5%), which reached EUR 20,887 million (EUR 21,644 million at the end of 2014), and in terms of loans to companies (6.5%), which amounted to EUR 20,708 million (EUR 22,139 million at the end of 2014). The performance of loans to individuals is hindered by the moderate household confidence levels, while the loans granted to companies reflects the objective of reducing the exposure to some activity sectors, as well as the contraction of investment in durables and consequent reduction of the demand for credit and the pursuit of efforts towards the reduction of high debt levels.

Loans to individuals stood at EUR 29,085 million as at 31 December 2015, having decreased by 1.3% (EUR 385 million decrease) when compared with the EUR 29,470 million recorded at the end of 2014, mainly explained by the 1.9% reduction (EUR 497 million decrease) of mortgage loans, which represented 86% of loans to individuals, reaching a total of EUR 25,040 million as at 31 December 2015.

The performance of mortgage loans reflected, on the one hand, the 3.5% decrease in the activity in Portugal (EUR 677 million decrease), in spite of the historically low levels of market interest rates, and the 2.8% growth recorded in the international activity (EUR 181 million increase), compared to 31 December 2014, mainly in Bank Millennium in Poland.

Consumer loans grew by 2.8% (EUR 112 million increase), to stand at EUR 4,045 million as at 31 December 2015 (EUR 3,933 million at the end of 2014), however, maintaining their relative weight (14.2%) in the total loans to individuals portfolio. This performance was mainly hindered by the activity in Portugal, which fell by 3.2% (EUR 79 million) compared to the end of 2014, and was more than offset by the 13.3% increase in international activity (EUR 191 million), benefiting from the operations developed in Poland and Mozambique, despite the reduction in Angola.

Loans to companies amounted to EUR 25,358 million as at 31 December 2015, compared to EUR 26,693 million reported as at 31 December 2014, corresponding to a 5.0% year-on-year decrease. This heading continues to be the main component of the loan portfolio with a weight of 46%.

The loans to companies portfolio in Portugal showed a decrease of 6.5% (EUR 1,431 million decrease), in spite of the implementation of various important commercial initiatives in 2015, namely the granting of new financing lines, amounting to EUR 700 million (BEI and FEI agreements), the launch of the SME Growth Line 2015 with funding above EUR 120 million and the support given to 267 investment projects under “Portugal 2020”. The performance in Portugal was mainly due to the 9.8% reduction which occurred in the Corporate network (EUR 1,073 million) compared to 2014. The international activity grew by 1.8% (EUR 96 million increase), mainly supported by the increase of EUR 192 million recorded at Bank Millennium in Poland, in spite of the reduction of EUR 84 million observed in the operation in Mozambique, which includes an unfavourable foreign exchange effect of EUR 240 million.

Overdue loans

Overdue loans include only that portion of principal or interest on loans which has become due and has not been paid within 30 days. Such overdue loan amounts are accounted for on a non-accrual basis, with interest thereon and other amounts due thereon accounted for as and when received.

The evolution of the Bank's overdue loans in accordance with Banco de Portugal requirements as at 31 December 2016, 2015 and 2014 is as follows:

Credit Quality

Million euros

	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%	9.0%	11.0%	
Restructured loans not included in the credit at risk/Total loans	5.7%	5.8%	7.2%	

(*) Before loans impairment.

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.

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).

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.

As at 31 December 2015 amounted to EUR 4,088 million (EUR 4,246 million as at 31 December 2014).

The ratio of overdue loans to total loans before impairment stood at 7.5% as at 31 December 2015 (7.6% as at 31 December 2014).

The credit quality, assessed by the proportion of overdue loans by more than 90 days to total loans, improved to stand at 7.3% as at 31 December 2015, compared to 7.4% recorded at the same date of 2014.

Credit quality improved due to the Bank's continued focus on selectivity and monitoring of the credit risk control processes, as well as the initiatives implemented by the commercial areas and credit recovery areas, to analyse and, in conjunction with customers, create solutions and conditions to recover default loans.

The coverage ratio of overdue loans by more than 90 days by impairment stood at 86.2% as at 31 December 2015, compared to 82.6% at the end of 2014, and the coverage ratio of the total overdue loans portfolio by impairments improved to stand at 84.1% as at 31 December 2015, compared with 80.9% as at 31 December 2014.

Non Performing Loans, which, pursuant to Banco de Portugal Instruction No. 16/2004, in its version in force, includes loans overdue by more than 90 days and doubtful loans reclassified as overdue for the effect of provisioning, accounted for 9.4% of total loans as at 31 December 2015, compared with 9.6% as at 31 December 2014. Credit at risk reached 11.3% of total loans, as at 31 December 2015, compared with 12.0% at the end of 2014. As at 31 December 2015, restructured loans stood at 9.0% of total loans (11.0% as at 31 December 2014) and restructured loans not included in credit at risk stood at 5.8% of total loans as at 31 December 2015 (7.2% as at 31 December 2014).

Overdue loans by more than 90 days decreased by 4.6% to EUR 3,967 million as at 31 December 2015, compared to EUR 4,157 million as at 31 December 2014. This decrease was primarily due to the lower default levels reported in loans to customers associated with the economic sectors related to restaurants and hotels. Total overdue loans decreased by 3.7% to EUR 4,088 million as at 31 December 2015, from EUR 4,246 million as at 31 December 2014. This decrease was due to the activity in Portugal, where overdue loans decreased by 5.2% to EUR 3,772 million as at 31 December 2015, from EUR 3,980 million as at 31 December 2014, due primarily to the improvement of the credit quality levels and consequent reduction of default.

Overdue loans associated with loans to companies continued to represent the largest component of the total overdue loans portfolio, representing 77.5% of the portfolio as at 31 December 2015, mainly concentrated in the service sector. The ratio of overdue loans related to loans to companies, measured by the ratio between overdue loans and loans granted to companies, increased to 12.2% as at 31 December 2015, compared to 12.1% recorded at the end of 2014, due to the contraction of the loans to companies portfolio. As at 31 December 2015, overdue loans associated with loans to companies showed a level of coverage of 85.1% by the impairments in the balance sheet.

Regarding the portfolio of loans to individuals, overdue loans associated with consumer credit and mortgage represented 14.8% and 7.7%, respectively, of the total overdue loans portfolio. The ratio of overdue loans associated with consumer credit as a percentage of total consumer credit improved to 14.8% as at 31 December 2015 (15.8% at the end of 2014), while the ratio of overdue loans associated with mortgage evolved in the opposite direction, to stand at 1.3% as at 31 December 2015 (1.2% at the end of 2014).

Total customer funds

The following table sets forth the Bank's total customer funds, detailed in balance sheet customer funds and off-balance sheet customer funds, as at 31 December 2016, 2015 and 2014:

Total customer funds

Million euros

	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 operations (Millennium Angola and Millennium bcp Gestão de Activos).

The following table sets forth the Bank's total customer funds, detailed in balance sheet customer funds – deposits and debt securities – and off-balance sheet customer funds – assets under management and capitalisation products as at 31 December 2016, 2015 and 2014:

Total customer funds

Million euros

	2016	2015 comparable (1)	2014 comparable (1)	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	
Total	**63,377**	**66,176**	**66,207**	**-4.2%**

(1) Included on the debt securities item.

(2) Includes Unit linked and Retirement savings deposits.

(3) Includes the impact from discontinued operations (Millennium Angola and Millennium bcp Gestão de Activos).

As at 31 December 2016, 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%).

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 BCP 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).

Total customer funds, excluding the impact related to the discontinued operations, increased by 1.9% to stand at EUR 64,485 million as at 31 December 2015, compared with EUR 63,287 million recorded at the end of 2014, due to the growth of both balance sheet customer funds (+2.4%) and off-balance sheet customer funds (+1.5%).

In the activity in Portugal, total customer funds reached EUR 47,965 million as at 31 December 2015, compared to the EUR 47,881 million recorded in 2014, reflecting the continued commercial effort in attracting funds, materialised in the increases of 4.8% of assets under management and 1.2% of customer deposits, in spite of the 16.2% decrease of debt securities owed to customers.

In the international activity, total customer funds reached EUR 18,211 million as at 31 December 2015, corresponding to an increase of 8.0% when compared to the EUR 16,858 million recorded at the end of 2014, mainly underpinned by customer deposits growth, in particular in the subsidiary in Poland.

Balance sheet customer funds increased by 2.0%, to reach EUR 52,158 million as at 31 December 2015 (EUR 51,141 million at the end of 2014), with a highlight on the 3.1% customer deposits increase in spite of the 16.8% debt securities reduction. This performance reflects the maintenance of the strategy implemented by Millennium bcp to attract stable balance sheet funds, notwithstanding the reduction of remuneration rates.

Customer deposits increased to EUR 51,539 million as at 31 December 2015 (EUR 49,817 million at the end of 2014), driven both by the activity in Portugal (+1.2%), supported by the good performance of the Retail network, and by the international activity (+8.5%), which continued its effort to attract deposits, to which the performance of the subsidiaries in Poland and in Angola contributed, in spite of the reduction shown in the operation in Mozambique and in the Cayman Islands.

Debt securities stood at EUR 2,311 million as at 31 December 2015, compared with EUR 2,776 million at the end of the previous year, confirming the continued historic contraction in the demand for structured and/or financially complex products, and consequent replacement by more conservative solutions such as deposits.

Off-balance customer funds increased by 1.5%, reaching EUR 12,327 million as at 31 December 2015, compared to EUR 12,146 million recorded as at the same date of 2014. This performance was due to the performance of the assets under management (+6.4%), in spite of the slow-down recorded in capitalisation products (-6%) which incorporates the effects of the contributions and devaluation/appreciation of the assets portfolio observed over the last few years.

Assets under management increased to EUR 3,812 million at the end of 2015, compared to EUR 3,583 million as at 31 December 2014, having benefited from an increase registered in Portugal, in an alternative scenario of maintenance of low interest rates over a long period, through the increased volume of the asset portfolios mainly acquired by the Private Banking network, as well as in the international activity, especially through Bank Millennium in Poland.

The capitalisation products showed a minor decrease of 0.6%, standing at EUR 8,514 million as at 31 December 2015 (EUR 8,563 million at the end of 2014). This performance occurred also in Portugal, with special relevance in the insurance contracts linked to investment funds (unit-linked) and in the international activity, confirming the trend observed in the previous year of transfer upon maturity of off-balance sheet products to reinforce balance sheet funds, namely customer deposits.

SEGMENTAL REPORTING

BCP offers a wide range of banking activities and financial services in Portugal and abroad, through the following business segments: "Retail Banking", "Companies, Corporate and Investment Banking", "Private Banking", "Foreign Business", "Non Core Business Portfolio" and "Other".

Business segment	**Perimeter**
Retail Banking	Retail Network of Millennium bcp (Portugal) Retail Recovery ActivoBank
Companies, Corporate & Investment Banking	Companies Network of Millennium bcp (Portugal) Specialised Recovery Division Real Estate Business Division Interfundos Corporate and Large Corporates Networks of Millennium bcp (Portugal) Specialised Monitoring Division Investment Banking Treasury, Markets and 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: Banca Millennium in Romania and Millennium bcp Gestão de Activos are considered discontinued operations.

Set forth below is a discussion of the results of operations of the Bank's business segments the years ended 31 December 2016, 2015 and 2014.

The following table sets forth the Bank's summary income statement broken down by business segment for the periods indicated, which is presented reflecting the current organisational structure of BCP Group's business areas:

As at 31 December 2016, the net contribution of the major geographic segments is analysed as follows:

(Thousands of Euros)

	Portugal									
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio 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 charge	(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

(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.

As at 31 December 2015, the net contribution of the major geographic segments for the restated income statement is analysed as follows:

(Thousands of Euros)

	Portugal										
	Retail Banking	Companies, Corporate and Investment Banking	Private Banking	Portfolio non core business	Other(*)	Total	Poland	Angola	Mozambique	Other	Consolidated
INCOME STATEMENT											
Interest income	543,377	435,614	33,429	204,576	145,637	1,362,633	553,172	160,210	221,086	19,000	2,316,101
Interest expense	(241,317)	(117,369)	(23,778)	(169,062)	(76,520)	(628,046)	(239,914)	(50,861)	(82,849)	(12,856)	(1,014,526)
NET INTEREST INCOME	302,060	318,245	9,651	35,514	69,117	734,587	313,258	109,349	138,237	6,144	1,301,575
Commissions and other income	334,806	175,044	32,881	14,832	16,566	574,129	178,583	46,016	87,089	29,199	914,936
Commissions and other costs	(15,137)	(6,591)	(245)	(38)	(147,495)	(169,506)	(87,218)	(12,824)	(26,843)	(5,405)	(301,796)
NET COMMISSIONS AND OTHER INCOME	319,669	168,453	32,636	14,794	(130,929)	404,623	91,365	33,192	60,246	23,714	613,140
Net gains arising from trading activity	43,036	–	–	–	400,158	443,194	51,949	56,035	39,816	4,450	595,444
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	1,868	571	8	(30,138)
NET OPERATING INCOME	664,765	486,704	42,287	50,308	328,813	1,572,877	457,042	200,444	238,870	34,316	2,503,549
Staff costs and administrative costs	495,082	95,611	16,316	26,786	(22,124)	611,671	230,320	78,707	94,621	24,584	1,039,903
Depreciations	1,899	446	6	23	27,935	30,309	12,061	12,545	11,456	252	66,623
OPERATING COSTS	496,981	96,057	16,322	26,809	5,811	641,980	242,381	91,252	106,077	24,836	1,106,526
Other financial assets impairment	(149,591)	(315,676)	(1,248)	(355,041)	35,081	(786,475)	(60,566)	(15,217)	(24,985)	(2,456)	(889,699)
Other assets impairment	(111)	(130)	–	(9,971)	(85,830)	(96,042)	(2,908)	(1,213)	(4,411)	(40)	(104,614)
NET (LOSS)/INCOME BEFORE INCOME TAX	18,082	74,841	24,717	(341,513)	272,253	48,380	151,187	92,762	103,397	6,984	402,710
Income tax	(3,679)	(21,806)	(7,295)	100,746	(53,299)	14,667	(31,203)	(18,223)	(20,090)	(1,548)	(56,397)
(LOSS)/INCOME AFTER INCOME TAX FROM CONTINUING OPERATIONS	14,403	53,035	17,422	(240,767)	218,954	63,047	119,984	74,539	83,307	5,436	346,313
(Loss)/income arising from discontinued operations	–	–	–	–	14,648	14,648	–	–	–	–	14,648
NET (LOSS)/INCOME AFTER INCOME TAX	14,403	53,035	17,422	(240,767)	233,602	77,695	119,984	74,539	83,307	5,436	360,961
Non-controlling interests	–	–	–	–	(5,651)	(5,651)	(54,222)	(37,196)	(28,548)	–	(125,617)
NET (LOSS)/INCOME	14,403	53,035	17,422	(240,767)	227,951	72,044	65,762	37,343	54,759	5,436	235,344

(*) Includes the activity of Millennium bcp Gestão de Activos, up to date of disposal.

As at 31 December 2014, the net contribution of the major geographic segments for the restated income statement is analysed as follows:

(Thousands of Euros)

	Portugal											
	Retail Banking	Companies	Corporate and Investment Banking	Private Banking	Portfolio non core business	Other(*)	Total	Poland	Angola	Mozambique	Other(*)	Consolidated
INCOME STATEMENT												
Interest income	606,419	202,800	355,312	40,509	287,144	187,760	1,679,944	616,091	124,459	206,624	25,520	2,652,638
Interest expense	(376,037)	(83,296)	(129,579)	(38,947)	(252,766)	(245,850)	(1,126,475)	(283,689)	(39,438)	(70,137)	(16,748)	(1,536,487)
NET INTEREST INCOME	230,382	119,504	225,733	1,562	34,378	(58,090)	553,469	332,402	85,021	136,487	8,772	1,116,151
Commissions and other income	331,139	66,347	110,289	27,665	19,778	26,500	581,718	171,288	42,697	83,997	29,463	909,163
Commissions and other costs	(14,349)	(3,504)	(2,345)	(188)	(1,057)	(153,203)	(174,646)	(41,698)	(9,305)	(25,446)	(5,317)	(256,412)
NET COMMISSIONS AND OTHER INCOME	316,790	62,843	107,944	27,477	18,721	(126,703)	407,072	129,590	33,392	58,551	24,146	652,751
Net gains arising from trading activity	5,697	–	–	–	–	337,958	343,655	48,005	25,812	23,113	1,577	442,162
Staff costs and administrative costs	547,386	63,172	34,869	15,621	26,844	(30,131)	657,761	250,251	66,217	88,083	21,755	1,084,067
Depreciations	1,873	300	94	5	29	30,131	32,432	13,195	8,824	10,811	281	65,543
OPERATING COSTS	549,259	63,472	34,963	15,626	26,873	–	690,193	263,446	75,041	98,894	22,036	1,149,610
Other financial assets impairment	(125,731)	(284,355)	(170,336)	1,412	(423,659)	(109,450)	(1,112,119)	(64,664)	(9,794)	(12,041)	283	(1,198,335)
Other assets impairment	(41)	87	–	–	(1,705)	(114,760)	(116,419)	1,349	(578)	(2,091)	(190)	(117,929)
Share of profit of associates under the equity method	–	–	–	–	–	36,019	36,019	(59)	–	–	–	35,960
Net gain from the sale of other assets	–	–	–	–	–	42,094	42,094	2,391	251	709	–	45,445
NET (LOSS)/INCOME BEFORE INCOME TAX	(122,162)	(165,393)	128,378	14,825	(399,138)	7,068	(536,422)	185,568	59,063	105,834	12,552	(173,405)
Income tax	36,654	48,929	(37,871)	(4,372)	117,745	10,174	171,259	(41,992)	(9,973)	(19,731)	(1,888)	97,675
(Loss)/income after income tax from continuing operations	(85,508)	(116,464)	90,507	10,453	(281,393)	17,242	(365,163)	143,576	49,090	86,103	10,664	(75,730)
(Loss)/income arising from discontinued operations	–	–	–	–	–	2,652	2,652	–	–	–	(43,482)	(40,830)
Net (loss)/income after income tax	(85,508)	(116,464)	90,507	10,453	(281,393)	19,894	(362,511)	143,576	49,090	86,103	(32,818)	(116,560)
Non-controlling interests	–	–	–	–	–	(8,667)	(8,667)	(49,520)	(23,201)	(28,672)	–	(110,060)
NET (LOSS)/INCOME AFTER INCOME TAX	(85,508)	(116,464)	90,507	10,453	(281,393)	11,227	(371,178)	94,056	25,889	57,431	(32,818)	(226,620)

(*) Includes the activity of Millennium bcp Gestão de Activos;

(**) Includes the activity of Banca Millennium Romania.

Retail Banking

The Bank's strategy for the Retail Banking segment in Portugal involves targeting mass market customers who appreciate innovation and speed, as well as targeting affluent customers and small businesses to which the Bank can offer innovation and personalisation through a dedicated account manager. The Retail Banking segment in Portugal includes: (i) the Retail network in Portugal, where the strategic approach is to target "Mass Market" customers who appreciate the value proposition based on innovation and speed, as well as Prestige and Small Business customers, whose specific characteristics, financial assets or income imply a value proposition based on innovation and personalisation, requiring a dedicated account manager; (ii) the Retail Recovery division; and (iii) ActivoBank, a bank focused on clients who are young, intensive users of new communication technologies and who prefer a banking relationship based on simplicity, offering modern products and services. By employing a cross-selling strategy, the Retail Banking segment also acts as a distribution channel for financial products and services of a number of the Bank's other businesses. The following table sets forth the principal income statement and balance sheet items of the Retail Banking segment for the periods indicated:

Retail Banking			*Million euros*
	31 Dec. 16	**31 Dec. 15**	**Chg. 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%

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

Retail Banking

			Million euros
	31 Dec. 15	**31 Dec. 14**	**Chan. % 15/14**
PROFIT AND LOSS ACCOUNT			
Net interest income	302.1	230.4	31.1%
Other net income	362.7	322.5	12.5%
	664.8	552.9	20.2%
Operating costs	497.0	549.3	-9.5%
Impairment	149.7	125.8	19.0%
NET (LOSS)/INCOME BEFORE INCOME TAX	18.1	(122.2)	114.8%
Income taxes	3.7	(36.7)	110.0%
NET INCOME	14.4	(85.5)	116.8%
SUMMARY OF INDICATORS			
Allocated capital	549	617	-10.9%
Return on allocated capital	2.6%	-13.9%	
Risk weighted assets	4,944	5,033	-1.8%
Cost to income ratio	74.8%	99.3%	
Loans to customers	17,276	17,652	-2.1%
Total customer funds(*)	32,941	32,709	0.7%

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

(*) On comparable basis: excludes, in December 2014, the Millennium bcp Gestão de Activos - Sociedade Gestora Fundos de Investimento S.A. ("**MGA**") sale impact.

2016 compared to 2015: 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.

2015 compared to 2014: For the year ended 31 December 2015, the net income of the Bank's Retail Banking segment increased to EUR 14.4 million, from a net loss of EUR 85.5 million for the year ended 31 December 2014.

For the year ended 31 December 2015, net interest income increased by 31.1% to EUR 302.1 million, from EUR 230.4 million for the year ended 31 December 2014, reflecting a reduction of the cost of term deposits, despite the increased volume of deposits.

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

In 2015, impairment for loan losses (net of recoveries) increased to EUR 149.7 million, from EUR 125.8 million in 2014, reflecting the provisioning effort due to the economic environment.

Operating costs decreased by 9.5%, reflecting the impact of the implemented measures related to the cost streamlining and containment, primarily as a result of the reduction of the number of employees, temporary wage cuts and resizing the branch network.

As at 31 December 2015, loans to customers decreased by 2.1% to EUR 17,276 million, from the amount as at 31 December 2014. This decrease reflects the evolution in loans to individuals, due to the repayments of principals associated with mortgage loans, in spite of the continued focus on offering solutions to support business structures and consumers.

As at 31 December 2015, total customer funds increased to EUR 32,941 million, from EUR 32,709 million as at 31 December 2014. This increase was due to customer deposits, which grew by EUR 1,231 million to EUR 24,097 million as at 31 December 2015.

Companies, Corporate and Investment Banking

The Companies, Corporate and Investment Banking segment includes: (i) the corporate and large corporates networks in Portugal, targeting corporate and institutional customers with an annual turnover in excess of EUR 50 million, providing a complete range of value-added products and services; (ii) the Companies network that covers the financial needs of companies with an annual turnover between EUR 2.5 million and EUR 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing; (iii) the Specialised Monitoring Division; (iv) the Investment Banking unit; (v) the activity of the Bank's International Division; (vi) the Specialised Recovery Division; (vii) the activity of the Real Estate Business Division; and (viii) Interfundos.

The following table sets forth the principal income statement and balance sheet items of the Companies, Corporate and Investment Banking segment for the periods indicated:

Companies, Corporate & Investment Banking			*Million euros*
	31 Dec. 16	**31 Dec. 15**	**Chg. 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.

Companies, Corporate & Investment Banking			*Million euros*
	31 Dec. 15	**31 Dec. 14**	**Chan. % 15/14**
PROFIT AND LOSS ACCOUNT			
Net interest income	318.2	345.2	-7.8%
Other net income	168.5	170.8	-1.4%
	486.7	516.0	-5.7%
Operating costs	96.1	98.4	-2.4%
Impairment(*)	315.8	454.6	-30.5%
NET (LOSS)/INCOME BEFORE INCOME TAX	74.8	(37.0)	>200%
Income taxes	21.8	(11.1)	>200%
NET INCOME	53.0	(26.0)	>200%
SUMMARY OF INDICATORS			
Allocated capital	868	1,327	-34.6%
Return on allocated capital	6.1%	-2.0%	
Risk weighted assets	8,000	8,467	-5.5%
Cost to income ratio	19.7%	19.1%	
Loans to customers	11,197	11,636	-3.8%
Total customer funds(**)	10,815	10,916	-0.9%

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

(*) Excluding the impact of impairment reallocation between Customers of the same economic group

(**) On comparable basis: excludes, in December 2014, the MGA sale impact

2016 compared to 2015: 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.

2015 compared to 2014: For the year ended 31 December 2015, the net income of the Companies, Corporate and Investment Banking segment increased to EUR 53.0 million, from a net loss of EUR 26.0 million for the year ended 31 December 2014, reflecting the reduction in impairment charges in 2015.

For the year ended 31 December 2015, net interest income decreased by 7.8% to EUR 318.2 million, from EUR 345.2 million for the year ended 31 December 2014, reflecting both the effect of the reduction of the loan interest rates and the impact of the lower volume. This decrease was also due to the sustained decline of term deposit rates, reflected in the lower value of interest paid.

In 2015, impairment for loan losses (net of recoveries) decreased to EUR 315.8 million, from EUR 454.6 million in 2014, reflecting a lower provisioning effort.

In 2015, operating costs decreased by 2.4% to EUR 96.1 million, from EUR 98.4 million in 2014. This decrease reflects the impact of the implementation of measures aimed at cost streamlining and containment, namely the temporary wage cuts.

As at 31 December 2015, loans to customers decreased by 3.8% to EUR 11,197 million, from EUR 11,636 million as at 31 December 2014, reflecting the persistent gradual recovery of the Portuguese economy, in spite of the continued focus on offering solutions to support business structures.

As at 31 December 2015, total customer funds decreased by 0.9% to EUR 10,815 million, from the value recorded as at 31 December 2014, primarily due to the evolution observed in off-balance sheet funds.

Private Banking

The Private Banking segment comprises the Bank's Private Banking network in Portugal and subsidiary companies specialising in the asset management business in Portugal. The following table sets forth the principal income statement and balance sheet items of the Private Banking segment for the periods indicated:

Private Banking			*Million euros*
	31 Dec. 16	**31 Dec. 15**	**Chg. 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.

Private Banking *Million euros*

	31 Dec. 15	31 Dec. 14	Chan. % 15/14
PROFIT AND LOSS ACCOUNT			
Net interest income	9.7	1.6	>200%
Other net income	32.6	27.5	18.8%
	42.3	29.0	45.6%
Operating costs	16.3	15.6	4.5%
Impairment	1.2	(1.4)	188.5%
NET (LOSS)/INCOME BEFORE INCOME TAX	24.7	14.8	66.7%
Income taxes	7.3	4.4	66.9%
NET INCOME	17.4	10.5	66.7%
SUMMARY OF INDICATORS			
Allocated capital	12	17	-27.1%
Return on allocated capital	141.0%	61.6%	
Risk weighted assets	99	142	-30.1%
Cost to income ratio	38.6%	53.8%	
Loans to customers	214	250	-14.1%
Total customer funds(*)	5,277	4,847	8.9%

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

(*) On comparable basis: excludes, in December 2014, the MGA sale impact

2016 compared to 2015: 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.

2015 compared to 2014: For the year ended 31 December 2015, the net income of the Private Banking segment increased to EUR 17.4 million, from EUR 10.5 million for the year ended 31 December 2014. This increase was not only due to the growth recorded in net interest income but also to the increase observed in commissions and other net income.

In 2015, net interest income increased to EUR 9.7 million, from EUR 1.6 million in 2014. This increase was primarily due to the reduction observed in the value of interest paid, in spite of the increased volume of deposits.

In 2015, other net income increased by 18.8% to EUR 32.6 million, compared to 2014. This growth is associated with the increase observed in sale of higher value added products in segments of customers with higher financial assets.

As at 31 December 2015, loans to customers decreased by 14.1% to EUR 214 million, compared to the amount as at 31 December 2014.

As at 31 December 2015, total customer funds increased by 8.9% to EUR 5,277 million, compared to the amount as at 31 December 2014, primarily due to the increase observed in assets under management and customer deposits.

Foreign Business

The Foreign Business segment comprises all of BCP's operations outside Portugal, in particular in Poland, Mozambique, Angola, Switzerland and the Cayman Islands. The Bank is represented by a universal bank in Poland and by Millennium bim in Mozambique, a universal bank targeting both companies and individual customers.

In the context of the BMA merger with BPA, BMA was considered a discontinued operation in March 2016 and, from this date onwards, the impact on the results of these operations has been 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. As of the completion of the merger, in May 2016, the assets and liabilities of BMA are no longer considered in the consolidated balance sheet and the investment of 22.5% in Banco Millennium Atlântico, the new merged entity, is consolidated using the equity method and its contribution to BCP Group's results has been recognised in the consolidated accounts as of May 2016.

In Switzerland, BCP Group is represented by Banque Privée BCP, a Private Banking platform rendering services under Swiss law. In the Cayman Islands, BCP Group is represented by Millennium bcp Bank & Trust, a bank designed to offer international services to high net worth customers of the Private Banking unit.

The following table sets forth the principal income statement and balance sheet items of the Foreign Business segment for the periods indicated:

Foreign Business			*Million euros*
	31 Dec. 16	**31 Dec. 15** (re-stated)	**Chg. 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.

Foreign Business *Million euros*

	31 Dec. 15	31 Dec. 14	Chan. % 15/14
PROFIT AND LOSS ACCOUNT			
Net interest income	567.0	562.7	0.8%
Other net income	363.7	347.5	4.7%
	930.7	910.2	2.3%
Operating costs	464.5	459.4	1.1%
Impairment	111.8	87.7	27.4%
NET (LOSS)/INCOME BEFORE INCOME TAX	354.3	363.0	-2.4%
Income taxes	71.1	73.6	-3.4%
NET INCOME	283.3	289.4	-2.1%
SUMMARY OF INDICATORS			
Allocated capital	1,363	1,163	17.2%
Return on allocated capital	20.7%	24.8%	
Risk weighted assets	13,396	12,744	5.1%
Cost to income ratio	49.9%	50.5%	
Loans to customers	13,366	12,936	3.3%
Total customer funds	18,211	16,858	8.0%

Notes: Foreign business segment does not include Banca Millennium in Romania since it's considered a discontinued operation.

2016 compared to 2015: 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 Atlantico.

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 Mocambique.

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.

2015 compared to 2014: For the year ended 31 December 2015, the net contribution of the Foreign Business segment decreased to EUR 283.3 million, from EUR 289.4 million for the year ended 31 December 2014. This performance was constrained by the net income of Bank Millennium in Poland, which was penalised by the recognition of exceptional contributions related to the banking guarantee fund dedicated to the repayment of guaranteed deposits for clients of the bank that went bankrupt and the endowment for the Mortgage Loan Restructuring Fund (a created Distressed Mortgage Support Fund (FWK), according to the Act on Support of Housing Borrowers in a Difficult Financial Situation).

In 2015, operating costs increased by 1.1%, compared to 2014, due to the evolutions recorded in the operations in Angola and Mozambique. The operation in Poland recorded a reduction of operating costs, namely in other administrative costs.

As at 31 December 2015, impairment for loan losses increased to EUR 111.8 million, from EUR 87.7 million in 2014, primarily due to the increases recorded in Mozambique and in Angola.

As at 31 December 2015, loans to customers increased by 3.3% to EUR 13,366 million, compared to 31 December 2014, due to the growth of loans to companies and individuals observed in the subsidiary in Poland.

As at 31 December 2015, total customer funds increased by 8.0% to EUR 18,211 million, compared to 31 December 2014, due to the growth of both balance sheet funds and off-balance sheet funds (8.3% and 5.3%, respectively). This increase was primarily due to the performance achieved by the subsidiary in Poland as a result of the focus on attraction of deposits.

The following tables provide a breakdown of the results of the Foreign Business segment by country, which figures are presented in accordance with the information reported by each company:

Bank Millennium (Poland)

Million euros

	2016	2015	2014	Change % 16/15	2015 excluding FX effect	Change % 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 were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.

Source: Bank Millennium

FX rates:				
Balance Sheet 1 euro =	4.4103	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

Millennium bim (Mozambique)

Million euros

	2016	2015	2014	Change % 16/15	2015 excluding FX effect	Change % 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 were 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

Millennium Banque Privée (Switzerland)

Million euros

	2016	2015	2014	Change % 16/15	2015 excluding FX effect	Change % 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 were 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

Millennium bcp Bank & Trust (Cayman Islands)

				Million euros
	2016	**2015**	**2014**	**Change % 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 were the financial statements reported by the subsidiary for the purpose of consolidated financial statements, whenever available.

Other

The Other business segment includes the centralised management of shareholdings and the remaining corporate activities and operations not included in the Bank's business segments described above, including the Bank's joint venture with Ageas Insurance International NV ("**Ageas**"), which is consolidated through the equity method.

2016 compared to 2015: 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 2nd 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 versus 2015, much less than the market contraction, 22.7%. This way, the market share of insurance premiums increased to 21%, 3.3 percentage points 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.

2015 compared to 2014: For the year ended 31 December 2015, the net contribution of the Other business segment increased to EUR 219.0 million, from EUR 17.2 million for the year ended 31 December 2014, due to the reduction in loan impairment charges and the increase in net interest income.

In 2015, net interest income increased to EUR 69.1 million, from losses of EUR 58.1 million in 2014, mainly due to the lower interest payable on hybrid financial instruments (EUR 65.4 million in 2015 and EUR 180.0 million in 2014).

The other net income performance was determined by the gains achieved from the divestment of sovereign debt securities in 2014.

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 were introduced to allow using the pan European platform for the settlement of operations on securities "Target 2 Securities-T2S".

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:

(1) Improving the pre-opening of the online account procedure;

(2) Developing new CRM pieces;

(3) Creating account opening and products landing pages;

(4) Providing Skype;

(5) Launching new products and services, binding and segmentation;

(6) Launching a new stock exchange trading platform, which grew based on the stock quote streamer;

(7) 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;

(8) Developing an online credit granting process that enables instant funding of the account.

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.

In 2015, the bank launched the Virtual Active Point on Facebook, the Apple Watch, the "website mobile" and integrated the entire offer of products and services in the Customer Relationship Management (CRM) solution implemented in 2014.

In 2014, the bank completed the development of the missing products, with emphasis on the launch of the financial futures trading platform: Ontrade Platform. Promotion of the international factoring business and launch of new products and services such as the Management of Promissory Notes.

RISK MANAGEMENT

Types of Risks

BCP Group is subject to several risks during the course of its business. The risks from different companies of BCP Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

BCP 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 BCP Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

For the three years ended 31 December 2016, BCP Group is subject to the following main types of risks:

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 BCP 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.

Credit risk

This risk arises from the losses occurring in the loan portfolio, due primarily to the inability 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 BCP Group's overall exposure to risk, is a particularly insightful indicator under 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 portfolio default) and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for instances of non-performance.

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 BCP 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.

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 BCP Group:

- Trading – Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;

- Funding – Management of institutional funding (wholesale funding) and money market positions;

- Investment – Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;

- Commercial – Management of positions arising from commercial activity with customers;

- Structural – Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and

- ALM – Assets and Liabilities Management.

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

In order to ensure that the risk levels incurred in the different portfolios of BCP Group comply with the predefined levels of risk tolerance, various market risks limits are established (at least annually) and applied to all the 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.

For the monitoring and control of market risk existing in the different portfolios, BCP Group uses an integrated risk measure that includes the main types of market risks identified by BCP 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 euros)

	Dec 16	**Max(*)**		**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.

(Thousands of Euros)

	Dec. 15	Average	Max.	Min.	Dec. 14
GENERIC RISK (VaR)	3,012.8	6,140.3	16,699.1	1,709.1	6,379.8
Interest rate risk	1,663.2	4,213.5	4,042.1	1,473.7	5,326.7
FX risk	2,420.8	3,934.2	16,585.6	946.4	3,716.9
Equity risk	41.5	216.6	307.5	90.0	391.6
Diversification effects	1,112.7	2,224.0	4,236.1	800.9	3,055.4
SPECIFIC RISK	727.0	420.4	803.7	275.2	289.7
NON-LINEAR RISK	104.1	112.4	689.6	15.2	52.2
COMMODITIES RISK	12.8	15.5	211.8	11.1	15.1
GLOBAL RISK	3,856.6	6,682.3	17,091.2	2,257.2	6,736.8

Notes:

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

– Consolidated positions from Millennium bcp, Bank Millennium Poland, Banco Internacional de Moçambique and Banco Millennium Angola.

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 BCP Group's consolidated balance sheet.

This analysis considers the financial characteristics of the contracts available in information systems. Based on this data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval and for each of the currencies under analysis, allows to calculate the interest rate gap per repricing period.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/-100 and +/-200 basis points, for each of the main currencies in which BCP Group holds material positions:

	2016			Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
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

	2015			Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	3,361	3,361	4,250	8,439
EUR	77,621	58,561	9,865	24,445
PLN	33,840	16,141	(15,076)	(29,171)
USD	(10,560)	(9,499)	9,151	18,063
TOTAL	104,262	68,564	8,190	21,776

	2014			Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	(57)	(59)	3,713	7,381
EUR	3,858	(4,102)	86,784	174,664
PLN	40,455	19,696	(18,295)	(35,309)
USD	(8,157)	(6,325)	7,393	14,537
TOTAL	36,099	9,210	79,595	161,273

Within the scope of market risk management policy, BCP Group minimizes the risk inherent in the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments and contracting foreign exchange derivatives in the market. As at the three years ended 31 December 2016, the information of net investments, considered by BCP Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

2016:

		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

2015:

(Thousands of Euros)

Company	Currency	Net Investment	Hedging instruments	Net Investment	Hedging instruments
Banque Privée BCP (Suisse) S.A.	CHF	91,560	91,560	84,504	84,504
Millennium bcp Bank & Trust	USD	340,000	340,000	312,299	312,299
BCP Finance Bank, Ltd.	USD	561,000	561,000	515,293	515,293
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	55,767	55,767	51,223	51,223
Bank Millennium, S.A.	PLN	2,285,125	2,285,125	535,924	535,924

2014:

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	104,988	104,988	87,315	87,315
Millennium bcp Bank & Trust	USD	340,000	340,000	280,043	280,043
BCP Finance Bank, Ltd.	USD	561,000	561,000	462,071	462,071
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	55,767	55,767	45,933	45,933
Bank Millennium, S.A.	PLN	1,950,125	1,950,125	456,362	456,362

The information on the gains and losses on funding used to hedge the net investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

No ineffectiveness has been recognised as a result of the hedging operations.

Liquidity risk

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

The assessment of BCP Group's liquidity risk is carried out on a regular basis using indicators defined by the supervisory authorities and other internal metrics for which exposure limits are also defined.

The evolution of BCP Group's liquidity situation for short-term time horizons (of up to 3 months) is reviewed daily on the basis of two indicators internally defined: immediate liquidity and quarterly liquidity. These indicators measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding, to the liquidity position of the day under analysis, the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the set of transactions brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, due to its dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered to be highly liquid is then added to the previously calculated amount, leading to the liquidity gap accumulated for each day of the period at stake.

In parallel, the evolution of BCP Group's liquidity position is calculated on a regular basis, also identifying all the factors that justify the variations occurred. This analysis is submitted to the appreciation of the Capital and Assets and Liabilities Committee (CALCO), in order to enable the decision taking that leads to the maintenance of adequate financing conditions to business continuity.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

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

In 2016, there was an increase in the Bank's wholesale funding (WF) 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 (CoCo's) – 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 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:

	(Thousands 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

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

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.

The evolution of the ECB's Monetary Policy Pool and the corresponding collaterals used is analysed as follows:

	Euros '000 Dec 16	Dec 15
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy[(i)]	8,592,234	11,955,411
Outside the pool of ECB monetary policy	3,457,859	1,986,808
	12,050,093	13,942,219
Net borrowing at the ECB[(ii)]	4,436,292	5,302,393
Liquidity buffer[(iii)]	7,613,801	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.

(Thousands of Euros)

	Dec 15	Dec 14
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy[(i)]	11,955,411	12,175,997
Outside the pool of ECB monetary policy[(ii)]	1,986,808	1,981,402
	13,942,219	14,157,399
Net borrowing at the ECB[(iii)]	5,302,393	6,569,335
Liquidity buffer[(iv)]	8,639,826	7,588,064

(i) Corresponds to the amount reported in COLMS (Bank of Portugal application).

(ii) Includes assets temporarily ineligible (until June 2014).

(iii) Includes, as at 31 December 2015, the value of funding with the ECB net of deposits at the Bank of Portugal (Euros 171,372,000) and other liquidity of the Eurosystem (Euros 350,320,000), plus the minimum cash reserve (Euros 339,170,000) and the accrued interest (Euros 2,406,000).

(iv) Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

The main liquidity ratios of BCP 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 Months)		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.

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

(1) HLA- Highly Liquid Assets.

(2) Transformation ratio computed according to the updated Regulation no. 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, 31 December 2015 and 31 December 2014, is presented as follows:

	2016			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	14,164,516	n/a	57,496,393	n/a
of which:				
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

	2015			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	12,072,341	n/a	63,192,569	n/a
of which:				
Equity instruments	–	–	2,313,431	2,313,431
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536
Other assets	–	n/a	8,012,360	n/a

(Thousands of Euros)

	2014			
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	15,585,596	n/a	60,841,956	n/a
Equity instruments	–	–	2,220,081	2,218,963
Debt securities	3,059,616	3,059,616	8,551,366	8,354,230
Other assets	–	n/a	7,470,914	n/a

Collateral received	Fair value of encumbered collateral received or own debt securities issued 2016 Euros '000	Fair value of encumbered collateral received or own debt securities issued 2015 Euros '000	Fair value of collateral received or own debt securities issued available for encumbrance 2016 Euros '000	Fair value of collateral received or own debt securities issued available for encumbrance 2015 Euros '000
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	–	–	–	–

Encumbered assets, encumbered collateral received and matching liabilities	Carrying amount of selected financial liabilities 2016 Euros '000	Carrying amount of selected financial liabilities 2015 Euros '000
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

(Thousands of Euros)

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

(Thousands of Euros)

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

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitisation programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitisation programs and covered bonds issues, whether placed outside BCP Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralise repo transactions in the money market. The funding raised from the IEB is collateralised 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 BCP 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 BCP 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.

Capital and Liquidity Contingency Plan

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

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

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

Operational risk

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

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 BCP Group, there is a systematic process of capturing data on operational losses that systematically characterises 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.

DERIVATIVES HEDGE ACCOUNTING

During the three years ended 31 December 2016, in accordance with the accounting policies:

(i) Hedge accounting

BCP 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 BCP 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, BCP 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.

HEDGING DERIVATIVES

This balance for the three years ended 31 December 2016 is analysed as follows:

(Thousands 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

	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Swaps	72,957	541,230	75,325	352,543
Others	170	–	–	–
	73,127	541,230	75,325	352,543

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by BCP 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. BCP 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 BCP 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, BCP Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the 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:

Hedged item	2016 Euros '000	2015 Euros '000	2014 Euros '000
Loans	6,242	5,647	3,279
Deposits	6,341	(32,530)	(34,277)
Debt issued	(51,806)	(68,565)	(97,190)
	(39,223)	(95,448)	(128,188)

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2016, is as follows:

	2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	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:						
Currency 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:

	2015					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	4,040	139,291	3,401,016	3,544,347	35,145	40,922
Other interest rate contracts	–	–	99,944	99,944	–	33,047
Other	150,000	–	–	150,000	170	–
	154,040	139,291	3,500,960	3,794,291	35,315	73,969
Cash flow hedging derivatives related to interest rate risk changes:						
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

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2014, is as follows:

	2014					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
FAIR VALUE HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES						
OTC Market:						
Interest rate swaps	53,052	674,594	1,372,693	2,100,339	51,630	27,207
Other interest rate contracts	–	–	119,243	119,243	–	19,773
	53,052	674,594	1,491,936	2,219,582	51,630	46,980
CASH FLOW HEDGING DERIVATIVES RELATED TO INTEREST RATE RISK CHANGES						
OTC Market:						
Interest rate swaps	77,225	129,879	2,101,797	2,308,901	6,072	58
Others interest rate contracts	885,636	186,642	3,286,106	4,358,384	1,118	304,364
	962,861	316,521	5,387,903	6,667,285	7,190	304,422
CASH FLOW HEDGING DERIVATIVES RELATED TO CURRENCY RISK CHANGES						
OTC Market:						
Forward exchange contract	7,294	3,437	–	10,731	108	1,141
HEDGING DERIVATIVES RELATED TO NET INVESTMENT IN FOREIGN OPERATIONS						
OTC Market:						
Interest rate swaps	–	77,388	394,926	472,314	16,397	–
TOTAL FINANCIAL INSTRUMENTS TRADE BY:						
OTC Market	1,023,207	1,071,940	7,274,765	9,369,912	75,325	352,543

LIQUIDITY

For the three years ended 31 December 2016, BCP Group issued various bonds including bonds with fixed interest rates, interest rates referencing to the Euro Interbank Offered Rate (Euribor) and interests rates indexed to the Financial Times Stock Exchange 100 Index, Gold Fix Price and specific corporations etc.

On 19 February 2014, as part of its funding strategy, the Bank issued senior unsecured debt under its Euro Note Programme for an aggregate amount of EUR 500 million and with a maturity of three years and an annual coupon of 3.375%.

The Bank has various other sources of liquidity, including medium- and long-term bond issues on the international markets and securities. The amount of debt securities issued as at 31 December 2016, 31 December 2015 and 31 December 2014, which comprise debt securities at amortised cost and debt securities at fair value through profit and loss, was as follows:

	2016	**2015**	**2014**
	Euros '000	**Euros '000**	**Euros '000**
Debt securities at amortized cost			
Bonds	967,289	1,691,299	1,914,640
Covered bonds	926,793	1,331,190	1,344,538
MTNs	415,460	546,739	1,318,416
Securitizations	382,412	439,013	483,427
	2,691,954	4,008,241	5,061,021
Accruals	35,202	44,430	56,102
	2,727,156	4,052,671	5,117,123
Debt securities at fair value through profit and loss			
Bonds	38,709	43,607	36,560
MTNs	157,873	160,150	159,960
	196,582	203,757	196,520
Accruals	3,566	3,996	3,398
	200,148	207,753	199,918
Certificates at fair value through profit and loss	585,516	507,845	392,528
	3,512,820	4,768,269	5,709,569

The following tables set forth the Bank's contractual obligations associated with debt securities and subordinated debt, as at 31 December 2016, 2015 and 2014, according to the timetable by which they will become due:

	2016					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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

	2015					
	Up to 3 months Euros '000	3 months to 6 months Euros '000	6 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
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

	2014					
	Up to 3 months Euros ’000	3 months to 6 months Euros ’000	6 months to 1 year Euros ’000	1 year to 5 years Euros ’000	Over 5 years Euros ’000	Total Euros ’000
DEBT SECURITIES AT AMORTIZED COST						
Bonds	148,444	6,026	209,531	1,473,828	76,811	1,914,640
Covered bonds	–	–	–	1,344,538	–	1,344,538
MTNs	52,516	298,233	239,983	717,059	10,625	1,318,416
Securitizations	–	–	–	–	483,427	483,427
	200,960	304,259	449,514	3,535,425	570,863	5,061,021
DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Bonds	1,954	1,777	5,228	27,601	–	36,560
MTNs	3,417	2,579	–	120,977	32,987	159,960
	5,371	4,356	5,228	148,578	32,987	196,520
CERTIFICATES	–	–	–	–	392,528	392,528
	206,331	308,615	454,742	3,684,003	996,378	5,650,069

The following table sets forth the most significant components of the Bank’s cash flows for the periods indicated:

Unit:Million euros

	2016/12/31	2015/12/31	2014/12/31
Cash and equivalents at the beginning of the year	1,402	1,398	1,734
Cash flows arising from operating activities	3,092	1,253	1,765
Cash flows arising from investing activities	(2,002)	(311)	1,450
Cash flows arising from financing activities	(1,612)	(788)	(3,561)
Exchange differences effect on cash and equivalents	(72)	(151)	11
Cash and equivalents at the end of the year	2,022	1,402	1,399

FUNDING

During 2016 the consolidated wholesale funding of the Bank increased by Euro 0.5 billion, 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 Euro 1.0 billion (of which Euro 0.8 billion of senior debt and Euro 121 million of subordinated debt, including the early redemption of Euro 50 million 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 Euro 2.3 billion) and the Euro 0.6 billion decrease of the gross borrowings with the Eurosystem (to a balance of Euro 4.9 billion). In net terms, the funding with the ECB decreased at a faster pace, through the reduction of Euro 0.9 billion from the end of 2015 to a balance of 4.4 Euro billion, 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 Euro 0.5 billion, to a total of Euro 4.0 billion. 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 Euro 0.9 billion to Euro 4.4 billion, together with the performance of the eligible assets available for discount at the Eurosystem, enabled the liquidity buffer to exceed Euro 9.0 billion for the first time, an increase of Euro 0.5 billion compared to December 2015 (Euro 8.6 billion). This amount comprises on a proforma 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 Euro 1.5 billion after haircuts, assuming the use of the valuation criteria of the ECB concerning the other retained issues.

The table below illustrates the wholesale funding structure, as at 31 December 2016, 2015 and 2014, in terms of the relative weight of each of the instruments used:

Liquidity breakdown

(Wholesale funding)

	31 Dec 2016	31 Dec 2015	Weight chg.
MM	4.1%	3.4%	0.7%
ECB	42.6%	50.3%	-7.7%
CoCo's	6.1%	6.9%	-0.8%
Commercial Paper	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%	

Liquidity breakdown

(Wholesale funding)

	31 Dec. 2015	31 Dec. 2014	Weight chg.
MM	3.4%	4.1%	-0.7%
ECB	50.3%	50.5%	-0.2%
CoCo's	6.9%	5.7%	1.2%
Commercial Paper	1.7%	0.0%	1.7%
Repos	8.9%	14.0%	-5.1%
Loan agreements	9.4%	7.5%	1.8%
Schuldschein	1.0%	0.8%	0.2%
EMTN	4.1%	5.5%	-1.4%
Equity Swaps	0.0%	0.0%	0.0%
Covered bonds	11.9%	9.8%	2.1%
Subordinated debt	2.3%	1.9%	0.4%
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).

CAPITAL RESOURCES

The Bank's capital management policy is designed to ensure a prudent level of capital. Management also seeks to allocate capital resources efficiently among BCP and its subsidiaries. The Bank's capitalisation and indebtedness for the periods indicated was as follows:

Equity for the year ended 31 December, 2016 and 2015 and 2014

Unit: Million euros

	2016/12/31	2015/12/31	2014/12/31
Long term debt			
Long term debt	1,593	3,564	4,680
Subordinated debt	1,545	1,645	1,645
Share capital	4,269	4,094	3,707
Treasury stock	-3	-1	-14
Share premium	16	16	–
Preference shares	60	60	171
Other capital instruments	3	3	10
Fair value reserves	-131	23	107
Reserves and retained earnings	144	192	458
Profit for the year attributable to shareholders	24	235	-227
Total equity attributable to Shareholders of the bank	4,382	4,623	4,213
Non-controlling interests	883	1,057	774
Total Equity	5,265	5,681	4,987
Total Liabilities and Equity	71,265	74,885	76,361

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).

Following the authorisation given in the annual General Meeting of Shareholders of 11 May 2015, the Bank carried out in June 2015 an increase in its share capital from EUR 3,707 million to EUR 4,094 million, through 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 and listing of the new ordinary shares on Euronext Lisbon.

In June 2015, EUR 105,480,500 of preference shares were exchanged for new BCP ordinary, nominative and book-entry shares. As at 31 December 2015, the balance of preference shares amounted to EUR 60 million. This amount remained the same as at 30 September 2016.

The balance of other equity instruments, in the amount of EUR 3 million includes 2,922 perpetual subordinated debt securities with conditional coupons, issued on 29 June 2009, with a nominal value of EUR 1,000 each.

BCP issued GSIs on 29 June 2012. These instruments are fully reimbursable by the Bank through a five-year period and, only in specific circumstances such as delinquency or lack of payment, are susceptible of being converted in Bank's ordinary shares.

These instruments are eligible for prudential effects as Core Tier 1. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as a liability according to their 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 a 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.

SUBORDINATED DEBT

Detail by issue and respective interest rate

This balance is analysed as follows:

	2016 Euros '000	2015 Euros '000	2014 Euros '000
Bonds			
Non Perpetual	804,547	849,026	1,224,603
Perpetual	28,955	28,760	28,510
CoCos	703,421	759,813	762,767
	1,536,923	1,637,599	2,015,880
Accruals	7,632	7,772	9,792
	1,544,555	1,645,371	2,025,672

The balance Subordinated debt – CoCos corresponds to hybrids subordinated debt instruments that qualify as Core Tier I Capital, issued on 29 June 2012, by Banco Comercial Português, S.A. with an initial amount of EUR 3,000 million 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 EUR 400 million of core tier I capital instruments (CoCos) issued by the Portuguese State, and in August 2014 repaid EUR 1,850 million of common equity tier I capital instruments (CoCos). On 30 December 2016, the Bank repaid a further amount of EUR 50 million of core tier I capital instruments (CoCos). On 9 February 2017, the Bank announced it has proceeded to the early repayment to the Portuguese state of the remaining core tier I capital instruments (CoCos), amounting to EUR 700 million.

The referred instruments were issued under the scope of the recapitalisation program of the bank, using the EUR 12,000 million 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. These instruments are eligible for prudential effects as Core Tier I. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability according to its characteristics, namely: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securities, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank. The operation has an increasing interest rate beginning in 8.5% and ending at the maturity at 10% in 2017.

As at 31 December 2016, the subordinated debt issues are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Own funds value Euros '000
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 Aug 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 Apr 2021 – Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	54,521
Bcp Ob Sub 3S Apr 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 Sep 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 Dec 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 Feb 2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,730	14,541
Bcp Subord Apr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,485	33,235
Bcp Subord 2 Serie Apr 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 (December 31, 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

As at 31 December 2015, the subordinated debt issues are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Own funds value Euros '000
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
					28,760	28,461
CoCos						
BCP Coco Bonds 12/29.06.2017	December, 2001	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 (December 31, 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

As at 31 December 2014, the subordinated debt issues are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value (EUR millions)	Book value (EUR millions)
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	210.0	251.0
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70.7	70.7
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020	Sec reference (ii)	87.2	88.1
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020	See reference (iii)	53.3	54.4
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M+ 3.750%	114.0	114.0
Bcp Ob Sub Apr 2021 - Emln 809	April, 2011	April, 2021	Euribor 3M+ 3.750%	64.1	64.1
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M+ 3.750%	35.0	35.0
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7.5	8.2
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50.0	50.9
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40.0	39.2
Bcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26.6	25.0
Mill Bcp Subord Jan 2020 - Emtn 834	January. 2012	January, 2020	Fixed rate of 7.010%	14.0	12.6
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23.0	21.7
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51.0	48.4
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25.0	23.6
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixedrnte of 9.000%	26.3	23.9
Bank Millennium:					
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	149.6	149.6
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN – 295	December, 2006	December, 2016	See reference (iv)	71.2	71.2
BCP Fin Bank Ltd EMTN – 828	October, 2011	October, 2021	Fixed rate of 13.000%	98.9	73.0
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	–	0.0	0.0
					1,224.6
Perpetual Bonds					
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	–	See reference (v)	0.1	0.4
TOPS BPSM 1997	December, 1997	–	Euribor 6M + 0.900%	22.8	23.1
BCP Leasing 2001	December, 2001	–	Euribor 3M + 2.250%	5.3	5.3
					28.5
CoCos					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (vi)	750.0	762.8
Accruals					9.8
					2,025.7

References:

(i) - 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + l.400%;
(ii) - Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iii) - 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%;
(iv) - Euribor 3M + 0.300% (0.800% after December 2011);
(v) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M+ 2.400%;
(vi) - 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

SIGNIFICANT INVESTMENTS HELD

Investments in associated companies

This balance is analysed as follows:

	2016 Euros '000	2015 Euros '000	2014 Euros '000
Portuguese credit institutions	46,271	34,465	30,143
Foreign credit institutions	253,478	31,776	29,862
Other Portuguese companies	277,454	243,943	256,213
Other foreign companies	21,663	5,545	7,248
	598,866	315,729	323,466

The balance Investments in associated companies is analysed as follows:

	2016			
	Value of ownership on equity Euros '000	Goodwill Euros '000	Total Euros '000	2015 Euros '000
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

	2015 Euros '000	2014 Euros '000
Banque BCP, S.A.S.	29,240	27,395
Banque BCP (Luxembourg), S.A.	2,536	2,467
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	222,914	236,768
SIBS, S.G.P.S, S.A.	19,651	18,090
Unicre – Instituição Financeira de Crédito, S.A.	34,465	30,143
Other	6,923	8,603
	315,729	323,466

These investments correspond to unquoted companies. These investments are measured at the equity method.

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, BCP 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.

	2016 Euros '000
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	
Transaction value	205,140
Banco Millennium Atlântico, S.A. equity (April 2016)	(135,540)
Goodwill arising from the merger operation	69,600
Goodwill accounted in Banco Millennium Atlântico, S.A. accounts	31,061
	100,661

The fair value estimate of the shareholding attributable to BCP 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:

	Country	% held	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income/ (loss) for the year Euros '000
Dec 2016[(a)]						
Millenniumbcp Ageas Grupo	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)]						
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

	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income/ (loss) for the year Euros '000
2015				
Banque BCP, S.A.S.	2,555,870	2,408,936	123,780	14,817
Banque BCP (Luxembourg), S.A.	581,085	546,535	17,183	755
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	10,787,729	9,993,327	959,456	18,160
SIBS, S.G.P.S, S.A. (*)	144,507	57,704	158,164	10,000
Unicre – Instituição Financeira de Crédito, S.A.(*)	334,788	236,514	201,921	16,109
2014				
Banque BCP, S.A.S.	2,207,154	2,069,491	117,517	13,841
Banque BCP (Luxembourg), S.A.	677,012	649,075	17,318	860
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	10,945,537	10,107,247	962,527	61,489
SIBS, S.G.P.S, S.A.	144,507	57,704	158,164	10,762
Unicre – Instituição Financeira de Crédito, S.A.	334,788	236,514	201,921	9,900
VSC – Aluguer de Veículos Sem Condutor, Lda.	2,959	218	988	1,197

(*) Estimated values

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, SGPS, S.A. and Banco Millennium Atlântico, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments as at 31 December 2016 and 31 December 2015:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		**Banco Millennium Atlântico, S.A.**
	2016 **Euros ’000**	**2015** **Euros ’000** (restated)	**2016** **Euros ’000**
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 intra-group transactions (reverse of the VOBA annual amortization(*))	12,792	13,440	
Attributable to Shareholders of the associates adjusted of intra-group transactions	44,047	29,551	62,420
Attributable to 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 intra-group transactions (reverse of the VOBA total amortizations(*))	304,219	291,427	
Attributable to Shareholders of the associates adjusted of intra-group transactions	1,129,876	1,085,829	660,466
Attributable to BCP Group	553,639	532,056	150,154
Reverse of the initial gain in 2004 allocated to BCP Group	(309,142)	(309,142)	
Goodwill of the merge			69,600
Attributable to BCP Group adjusted of consolidation items	244,497	222,914	219,754

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, SGPS, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments as at 31 December 2015 and 31 December 2014:

	2015 Euros '000	2014 Euros '000
Income	959,456	962,527
Net profit for the year	18,160	61,489
Comprehensive income	(2,049)	86,713
Total comprehensive income	16,111	148,202
Attributable to Shareholders of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	16,111	148,202
Financial assets	10,328,469	10,470,412
Non-financial assets	459,260	475,125
Financial liabilities	9,860,240	9,957,766
Non-financial liabilities	133,087	149,481
Equity	794,402	838,290
Attributable to Shareholders of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	794,402	838,290
Value of ownership by BCP on equity of Ageas as at 1 January	236,768	497,301
Other comprehensive income attributable to BCP during the year	7,360	39,469
Dividends received	(29,400)	(169,050)
Appropriation by BCP of net income of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	8,186	35,818
Capital repayment	–	(110,250)
Disposal of Ocidental Seguros and Médis	–	(56,567)
Other adjustments	–	47
Investment held as at 31 December	222,914	236,768

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 8 October 2015, Banco Millennium Angola and Banco Privado Atlântico announced their merger to create one of the largest privately-owned banks in the Angola. This merger was completed on 22 April 2016, resulting in the creation of a significant institution in Angola (Banco Millennium Atlântico) with a market share of 11% in terms of credit and of 9% in deposits (source: Banco Nacional de Angola) .

As a result, in March 2016 BMA was considered as a discontinued operation, with the impact of its results presented in the balance income / (loss) arising from discontinued operations until the merger. After May 2016, the assets and liabilities of Banco Millennium Angola were not included in the consolidated balance sheet. Net income of the new entity (Banco Millennium Atlântico), after the merger, was recorded under Share of profit of associates under the equity method.

EMPLOYEES

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 FTE's – Full Time Equivalent) for: Portugal, Mozambique, Switzerland and Poland.

Note: Does not include Millennium bcp

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

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.

As at 2014, 2015, and 2016, there is no stock option plan in place to grant the Bank's employees any right to the Bank's ordinary shares.

Staff Costs

Million euros

	2016	2015 (re-presented)	2014 (comparable)[1]	Chan. % 16/15
Salaries and remunerations	416	435	461	-4.3%
Social security charges and other staff costs[2]	126	133	142	-5.2%
Specific items	542	568	603	-4.5%
Restructuring programme and early retirements	–	6	–	-100.0%
Partial transfer of liabilities with pensions	(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.

On 31 December 2013 a memorandum of understanding was signed with the unions to implement a process of salary adjustments of temporary duration, allowing the Bank to achieve the commitments undertaken with the EC and the Portuguese State to reduce personnel costs. This agreement entered into force on 1 July 2014 and besides reducing compensation, it suspends promotions, progressions and seniority payments that were to be paid up until the end of 2017. This salary reduction is to be returned to the employees, subject to approval by the Bank's General Meeting of Shareholders following a proposal from the Executive Committee.

During the last week of 2016, the negotiations that had been held since October with some unions were concluded. The purpose of the negotiations was to review the Collective Agreement (Acordo Coletivo de Trabalho), which had as its main objective to enable the Bank to adequately maintain the evolution of short-term employee costs (which objective is considered to have been achieved), in order to allow the Bank to achieve sustainable levels of profitability with the least possible impact on employees' lives.

This revision of the Collective Agreement covered a number of matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the reversal of the salary reductions that was only scheduled to occur on January 2018, provided that all GSIs are reimbursed during the first half of 2017 and (ii) the extension of the retirement age in order to align it with the social security age, which will allow the strengthening of the sustainability of pension funds.

The formal publication of the new Collective Agreement in the "Boletim de Trabalho e Emprego" determine the start of the implementation of the new provisions of the Collective Agreement.

Employee benefits

Defined benefit plans

BCP Group has the responsibility to pay to their employees' retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pension's plans 'Plano ACT' and 'Plano ACTQ' of the Pension Plan of BCP Group, which correspond to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two plans above, BCP Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to BCP Group's employees hired before 21 September, 2006 (Complementary Plan). BCP 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 BCP 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, BCP 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, the Government, the Portuguese Banking Association and the Banking Labour Unions entered into an agreement 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 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 Health System (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 BCP 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".

BCP 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.

BCP 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 BCP 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 BCP 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.

BCP Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income/cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income/cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan

For Defined Contribution Plan, the responsibilities related to the benefits attributed to BCP Group's employees are recognised as expenses when incurred.

As at 31 December 2016, BCP Group has two defined contribution plans. One plan covers employees who were hired before 1 July, 2009. For this plan, called non-contributory, BCP 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 BCP Group and employees. This contribution has a mandatory character and is defined in the Collective Labor Agreement of BCP Group, and does not have a performance criterion.

Share based compensation plan

As at 2014, 2015 and 2016, there are no share based compensation plans in force.

Variable remuneration paid to employees

The Executive Committee decides on the most appropriate criteria of allocation among employees, whenever it is attributed.

This variable remuneration is charged to income statement in the period to which it relates.

CHARGES ON BCP GROUP ASSETS

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 30 September 2016, 31 December 2015 and 31 December 2014, is presented as follows:

	2016			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	14,164,516	n/a	57,496,393	n/a
of which:				
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

	2015			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	12,072,341	n/a	63,192,569	n/a
of which:				
Equity instruments	–	–	2,313,431	2,313,431
Debt securities	2,422,960	2,422,960	9,567,174	9,563,536
Other assets	–	n/a	8,012,360	n/a

	2014			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
	(EUR millions)			
Assets of the reporting institution	15,586	n/a	60,842	n/a
of which:				
Equity instruments	–	–	2,220	2,219
Debt securities	3,060	3,060	8,551	8,354
Other assets	–	n/a	7,471	n/a

Collateral received	Fair value of encumbered collateral received or own debt securities issued 2016 Euros '000	Fair value of encumbered collateral received or own debt securities issued 2015 Euros '000	Fair value of collateral received or own debt securities issued available for encumbrance 2016 Euros '000	Fair value of collateral received or own debt securities issued available for encumbrance 2015 Euros '000
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	–	–	–	–

(Thousands of Euros)

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

Encumbered assets, encumbered collateral received and matching liabilities	Carrying amount of selected financial liabilities 2016 Euros '000	Carrying amount of selected financial liabilities 2015 Euros '000
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

Encumbered assets, encumbered collateral received and matching liabilities	Carrying amount of selected financial liabilities 2015 Euros '000	Carrying amount of selected financial liabilities 2014 Euros '000
Matching liabilities, contingent liabilities and securities lent	9,023,274	11,451,473
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	11,825,051	15,279,091

The encumbered assets are mostly related to collateralised financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitisation programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitisation programs and covered bonds issues, whether placed outside BCP Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralise repo transactions in the money market. The funding raised from the IEB is collateralised by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 8,258,565,000 although unencumbered, are mostly related to BCP 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 BCP 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As a result of the Portuguese Republic's investment in the Bank pursuant to the Recapitalisation Plan and the Restructuring Plan, the Bank assumed certain undertakings in the specific context of the approval of its Recapitalisation Plan, in addition to the limitations on distribution of dividends. Those include, among other undertakings, a ban on the acquisition of equity stakes in other companies, unless previously authorised by the European Commission, the Minister of State and Finance and Banco de Portugal.

GEARING RATIO

The gearing ratio, defined by total liabilities as a percentage of total assets stood at 92.6% as at 31 December 2016 and at 92.4% as at 31 December 2015 (93.5% as at 31 December 2014).

CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Litigation

(1) On 27 December 2007, the Bank was notified by Banco de Portugal of administrative proceeding No. 24/07/CO, with respect, in accordance with the accusation of which the Bank was notified on 12 December 2008, to six alleged breaches of accounting rules and three alleged provisions of false or incomplete information to Banco de Portugal, and timely submitted its defense. On 12 May 2010, the Bank was notified of the decision by the Board of Directors of Banco de Portugal, applying to the Bank a single fine of EUR 5 million, for all the mentioned alleged infractions, in addition to fines against certain other non-acquitted individuals. The Bank appealed this decision to Tribunal de Pequena Instância Criminal de Lisboa.

Following several intermediate decisions and appeals (namely, an intermediate decision that considered expired two alleged administrative offences concerning breach of accounting rules), by a ruling of Lisbon's Court of Appeal, of 9 June 2015, BCP's appeal was granted partial approval and, consequently, some of the charges concerning the alleged provision of false information to Banco de Portugal were considered expired and BCP was considered acquitted on the remaining charges concerning the same alleged administrative offence (which were not considered expired). Furthermore, BCP was also acquitted from two alleged administrative offences concerning breach of accounting rules. Lisbon's Court of Appeal maintained BCP's conviction on the account of two other administrative offences concerning breach of accounting rules.

Thereafter, Lisbon's Court of Appeal reduced the fine in which BCP had been convicted (EUR 4,000,000) to EUR 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 has become 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 an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation claiming: (i) the recognition of its right, in a later period namely following the final identification of the facts, to present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8ª Vara Criminal de Lisboa (Lisbon criminal court section) that recognised that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal of the first instance Court's sentence.

Through a sentence issued on 2 May 2014, three of the four defendants were sentenced to suspended prison sentences (to 2 years) and to the payment of fines amounting to EUR 300,000 and 600,000, disqualification for the exercise of banking functions and publication of the sentence in a widely-read newspaper.

By ruling of Lisbon's Court of Appeal of 25 February 2015, the sentence issued by the Lisbon criminal court section was confirmed. This decision has become definitive and 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, has filed an action for EUR 75,735,026.50 against the Bank in order to obtain (i) the acknowledgement that a 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) the reimbursement of the loaned amount to be made according to the existent shareholders agreement; (iii) the nullification of several mortgages established in favour of the defendant between 1999 and 2005 and (iv) the statement of non-existence of a debt related represented by a promissory note (held by the company) acting as security. The Bank believes that, having in consideration the facts argued by the plaintiff, the suit shall be deemed unfounded.

One of the plaintiff's creditors has filed an insolvency requirement regarding the plaintiff, having the Bank claimed credits in the amount of EUR 82,253,962.77, which has caused the suspension of the abovementioned action.

(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 in the Bank's premises, as well as to at least eight other credit institutions, where documentation was seized in order to investigate allegations of exchange of privileged commercial information among Portuguese banks.

The Portuguese Competition Authority has declared the administrative proceeding 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. On 2 June 2015, the Bank was notified of the Portuguese Competition Authority's notice of illegality in connection with the administrative offence no. 2012/9, by which the Bank is accused of participating in an information exchange between banks of the system related to prices already approved and housing and consumer credit operations already granted or approved. In light of the accusations, the Bank will file a response to the note of illegality, to which may follow a judicial appeal noting that the notification of a note of illegality does not constitute a final decision in relation to the accusations. If the Portuguese Competition Authority issues a conviction decision, the Bank may be convicted according to the terms foreseen in the law to pay a fine with a maximum limit of 10% of its annual consolidated turnover with reference to the year preceding the decision. However, judicial appeal against such decision is possible. In October 2016, the Lisbon Court of Appeals overruled an earlier decision by the Competition, Regulation and Supervision Court to suspend the Competition Authority's investigation. In November 2016, the Competition Authority stated that it had reopened its investigation.

(5) On 20 October 2014, the Bank became aware of a class action brought against Millennium Bank by a group of borrowers represented by the Municipal Consumer Ombudsman in Olsztyn. As other Polish banks in a similar situation, Millennium Bank was in the meantime notified of such class action, which seeks to assess the institution's "illicit" enrichment giving certain clauses contained in the mortgage loan agreements denominated in Swiss francs. In the referred class action, clients have questioned a set of those agreement's clauses, notably those related with the spread bid-offer between Polish zloty and Swiss francs applicable in the conversion of credits. On 28 May 2015, the Regional Court of Warsaw issued a decision rejecting the class action on the grounds that the case cannot be heard in class action proceedings. The decision of the Regional Court of Warsaw is not final. On 3 July 2015, the claimants 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 the Bank's motion for a security deposit to secure litigation costs. On 6 April 2016 the Bank filed an appeal against this decision.

On 17 February 2016 the claimant filed a submission with the Regional Court in Warsaw, extending the claim again to include 1,041 group members. Bank Millennium 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 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 BCP Group action proceedings. On 31 August 2016, the Bank appealed this decision. Currently, the issue of whether the case may be heard in group action proceedings is awaiting resolution by the Court of Appeal.

On 3 December 2015 Bank Millennium Poland 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 (EUR 0.81 million considering the exchange rate EUR/PLN 4.3192 at 30 September 2016) claiming for some clauses of the agreements pertaining to low down-payment insurance to be declared null and void. The Bank already contested the claim, demanding that the lawsuit be dismissed. The first hearing took place on 13 September 2016, the Court having ruled that the proceedings were admitted. The Bank will appeal this decision.

On 28 December 2015 and 5 April 2015, Bank Millennium was notified of two cases filed by clients in the amount of PLN 150 million and of PLN 521.9 million respectively. The claimants alleged in their claims that Bank Millennium misrepresented certain contractual clauses, which determined the maturity of the credits, causing losses to the claimants. A decision by the Warsaw Regional Court is currently pending.

(6) In October 2015, a set of companies connected to a group which has debts in default towards the Bank in the amount of approximately EUR 170 million, resulting from a financing agreement entered into in 2009 – such debts having been fully provisioned for in the Bank's accounts – brought a judicial proceeding against the Bank, after having received a notification from the Bank enforcing payment of such debts. In the judicial proceedings it is envisaged:

(a) to deny the obligation of payment of those debts, by arguing the voidness and nullity of the respective agreement, but without the correspondent obligation of returning the amounts received;

(b) that the Bank is also convicted to bear the amounts of approximately EUR 90 million and EUR 34 million related to other debts contracted by those entities with other banking institutions, as well as the amounts, in a total sum of approximately EUR 26 million, that the debtors would have already paid in the context of the respective financing agreements;

(c) to declare that the Bank is the owner of the object of the pledges associated with said financing agreements, which corresponds to approximately 340 million shares of the Bank itself, allegedly acquired at the request of, on behalf of and in the interest of the Bank.

The Bank has filed its defense and counterclaim, reinforcing the demand for payment of the debt. The claimants filed their statements of defense regarding the counterclaim filed by the Bank and the Bank replied to those statements on July 2016.

(7) On 5 December 2016, BCP was notified of an injunction proceeding requested on 7 November 2016 by a shareholder of the Bank holding, as of the date of the General Meeting of Shareholders of 21 April 2016, 545,000 shares (corresponding after the reverse stock split, to 7,266 shares representing less than 0.001% of the Bank's share capital) in relation to the Reserved Capital Increase, asking – on the ground of alleged flaws in the resolutions to disapply the pre-emption right of shareholders and to effect a reverse stock split taken in the General Meeting of Shareholders held on 21 April 2016 – that the court orders that BCP suspends the preparatory measures necessary for the completion of the Reserved Capital Increase (which, as mentioned, had already been registered with the commercial register and was fully executed on 18 November 2016).

The Bank has submitted its response. In addition to denying any flaw in any of the challenged resolutions of the General Meeting of Shareholders, BCP stated that (i) the request is untimely, not only because it is intended to suspend the conclusion of a share capital increase that is already fully executed, but also because, considering the terms of the claim, it would correspond to proceedings in respect of which the legal term for submitting the claim has already lapsed and (ii) the claimant would not have legal standing.

Under the relevant provisions of Portuguese law, any injunction aimed at suspending a resolution of the general meeting of shareholders of a listed company such as BCP would need to be requested only by shareholders representing at least 0.5% of the share capital and only within 10 days from the date such resolution was approved.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying shares and/or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the Shares, underlying shares and debentures of the Company

Name of Director/ chief executive	Class of Shares	Number of Shares	Type of interests	Approximate percentage of Shares in issue
Guo Guangchang	Ordinary	6,155,972,473(1)	Corporate	71.65%
Chen Qiyu	Ordinary	16,328,000	Individual	0.19%
Xu Xiaoliang	Ordinary	13,895,000	Individual	0.16%
Qin Xuetang	Ordinary	15,147,640	Individual	0.18%
Wang Can	Ordinary	9,415,000	Individual	0.11%
Kang Lan	Ordinary	9,460,000	Individual	0.11%
Gong Ping	Ordinary	9,360,000	Individual	0.11%
Zhang Shengman	Ordinary	430,000	Individual	0.01%
Zhang Huaqiao	Ordinary	80,000	Individual	0.00%
David T. Zhang	Ordinary	80,000	Individual	0.00%
Yang Chao	Ordinary	70,000	Individual	0.00%
Lee Kai-Fu	Ordinary	35,000	Individual	0.00%

(2) Long positions in the shares, underlying shares and debentures of the associated corporations (within the meaning of Part XV of the SFO) of the Company

Name of Director/ chief executive	Name of associated corporation	Class of shares/ debentures	Number of shares/Amount of debentures	Type of interests	Approximate percentage of shares in issue
Guo Guangchang	Fosun Holdings	Ordinary	1	Corporate	100.00%
	Fosun International Holdings	Ordinary	32,225	Individual	64.45%
	Fosun Pharma	A Shares(2)	114,075	Individual	0.01%
		A Shares(2)	933,294,708	Corporate	46.41%
		H Shares	7,906,000	Corporate	1.63%
Wang Qunbin	Fosun International Holdings	Ordinary	5,555	Individual	11.11%
	Fosun Pharma	A Shares(2)	114,075	Individual	0.01%
Qin Xuetang	Fosun Pharma	A Shares(2)	114,075	Individual	0.01%
	Fortune Star (BVI) Limited	Debenture	USD2,000,000	Individual	Not applicable
Chen Qiyu	Fosun Pharma	A Shares(2)	114,075	Individual	0.01%

Notes:

(1) Pursuant to Division 7 of Part XV of the SFO, 6,155,972,473 Shares held by Mr. Guo Guangchang are deemed corporate interests held through Fosun Holdings and Fosun International Holdings.

(2) A Shares mean the equity securities listed on the Shanghai Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTERESTS

(a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) None of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

(c) None of the Directors or chief executive of the Company and their respective associates has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial Shareholder	Number of Shares directly or indirectly held	Approximate percentage of Shares in issue
Fosun Holdings	6,155,972,473(2)	71.65%
Fosun International Holdings(1)	6,155,972,473(2)(3)	71.65%

Notes:

(1) Fosun International Holdings is owned as to 64.45%, 24.44% and 11.11% by Messrs. Guo Guangchang, Liang Xinjun and Wang Qunbin, respectively.

(2) Fosun International Holdings is the beneficial owner of all the issued shares in Fosun Holdings and, therefore, Fosun International Holdings is deemed, or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

(3) Mr. Guo Guangchang is the sole director of Fosun Holdings and Fosun International Holdings. Mr. Guo, by virtue of his ownership of shares in Fosun International Holdings as to 64.45%, is deemed or taken to be interested in the Shares owned by Fosun Holdings for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there were not any material adverse changes in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated accounts of the Group were made up.

7. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as at the Latest Practicable Date.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts, the text of whose report is contained in this circular, and who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Deloitte Portugal	Certified Public Accountants
KPMG Portugal	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young, Deloitte Portugal and KPMG Portugal had no shareholding interest in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, Ernst & Young, Deloitte Portugal and KPMG Portugal was not interested, directly or indirectly, in any assets which had since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Ernst & Young, Deloitte Portugal and KPMG Portugal has given and has not withdrawn its written consent to the inclusion in this circular of references to its name in the form and context in which it appears.

9. MATERIAL CONTRACTS

The following material contracts have been entered into by the Group (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

(a) the share purchase agreement dated 21 June 2015 entered into between PI Emerald II (UK) Limited (an indirect wholly-owned subsidiary of the Company) ("**PI Emerald**") and Delek Group Ltd. ("**Delek**") (the "**SPA**"), pursuant to which PI Emerald has agreed to acquire 130,623,262 ordinary shares of Phoenix Holdings Ltd. ("**Phoenix**") from Delek, representing 52.31% of the issued and outstanding share capital of Phoenix at a consideration of NIS1,763,204,090 (approximately USD461,571,751) (subject to certain adjustments), together with interest accrued on such amount at 4.75% per annum for the period from 30 September 2014 to the closing date of the SPA;

(b) the termination agreement dated 16 February 2016 entered into by PI Emerald and Delek to terminate the SPA;

(c) the underwriting agreement dated 10 September 2015 between the Company, and Fosun Holdings and CMB International Capital Limited ("**CMBI**") (the "**Underwriters**"), pursuant to which, Fosun Holdings has agreed to underwrite at least 98% of all of the rights shares (other than the rights shares that are provisionally allotted to Fosun Holdings as a shareholder of the Company) with the balance to be underwritten by CMBI, issued in the rights issue announced by the Company on 10 September 2015; and

(d) the sale and purchase agreement dated 25 May 2017 entered into by 17 subsidiaries of the Company (the "**17 Subsidiaries**") and Shanghai Yuyuan Tourist Mart Co., Ltd ("**Yuyuan**") in respect of the disposal of the entire equity interests of 28 companies held by the 17 Subsidiaries at a total consideration of RMB24.16 billion (subject to adjustments (if any)), which shall be settled by Yuyuan by way of issue of ordinary shares of Yuyuan (the "**Consideration Shares**") at the issue price of RMB9.98 per Consideration Share.

Save as disclosed above, no other material contract had been entered into by the Group within the two years immediately preceding the date of this circular.

10. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Sze Mei Ming. Ms. Sze is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(b) The registered address of the Company is at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office address of the Company in Hong Kong at Room 808, ICBC Tower, 3 Garden Road, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) the articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) BCP Group's audited consolidated financial statements for the financial years ended 31 December 2015 and 2016 prepared in accordance with IFRS as endorsed by the European Union as set out in Appendix II to this circular;

(d) the report from Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix III;

(e) the report from Ernst & Young on the unaudited pro forma financial information of BCP Group, the full text of which is set out in Appendix II (C). The unaudited pro forma financial information of BCP Group includes the unaudited pro forma adjustment to demonstrate the significant effects to relevant financial statements of BCP Group as if the HKFRS and the accounting policies adopted by the Company had been adopted by BCP Group;

(f) the annual reports of the Company for each of the two financial years ended 31 December 2015 and 2016;

(g) the written consent from the experts referred to under the section headed "Qualification and Consent of Expert" in this appendix; and

(h) the circular of the Company dated 22 June 2017.