2017

Interim Report and Accounts

3rd Quarter

In accordance with Article 10 of the CMVM Regulation nr.5/2008 we are pleased to transcribe the

3rd QUARTER 2017 INTERIM REPORT & ACCOUNTS

BANCO COMERCIAL PORTUGUÊS, S.A.

a public company (Sociedade Aberta)
having its registered office at Praça D. João I, 28, Oporto, registered at the Commercial Registry of
Oporto, with the single commercial and tax identification number 501 525 882 and the share capital of EUR 5,600,738,053.72.

Millennium bcp

The 3rd Quarter 2017 Interim Report and Accounts is a translation of the "Relatório e Contas do 3º Trimestre de 2017", a document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of the English version is to facilitate consultation of the document by English-speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the "Relatório e Contas do 3º Trimestre de 2017" prevails.

All mentions in this document to the application of any ruling mean the respective version currently in force.

3RD QUARTER REPORT AND ACCOUNTS

Joint Message of the Chairman of the Board of Directors and the CEO

Joint Message of the Chairman of the Board of Directors and the CEO

The Portuguese economy is showing strong signs of growth and is converging with Europe. Year-on-year growth registered in the 3rd quarter of 2017 was 2.5%, sustained by dynamic exports and the recovery of investment, in particular private investment.

Financial assets were strong in the period thanks to S&P's upgrading of the Portuguese Republic's Sovereign rating, which returned to investment grade levels. The benchmark PSI-20 index rose 5.0% in the quarter and there was a significant fall in sovereign bond yields.

This quarter saw the conclusion of the sale of Novo Banco to the Lone Star fund. This transaction, with implications for the national financial system, was the object of a request by Millennium bcp for a legal opinion regarding the legality of the mechanism for contingent capitalization. Our understanding is that this is the way to obtain further clarification of the future risks faced by the bank via its exposure to the Resolution Fund. We demonstrated our independence with this request and will do what is necessary to protect our shareholders.

Millennium bcp's earnings in the third quarter were of a recurring nature and are in line with the targets presented to the market. The operating efficiency of the bank continues to improve, allowing for a bolstering of coverage for non-performing loans. Another highlight is the reduction of non-performing exposures (NPEs), which are now already at a level below that targeted for 2017.

The net profit was €133.3 million, compared with a loss of €251.1 million in the same period the previous year. We kept on improving our efficiency and, as a result, the cost-to-core income ratio eased to 45.8%, which is already better than the target for 2018 (<50%).

We continued on the path of reducing NPEs, which is key to the bank's sustainability, at a very good pace, reducing by around €1.4 billion in the first nine months, better than expected and better than the published targets. Total coverage for NPEs in Portugal is more than 105%. This result is very important for confidence in our institution. Millennium bcp has been able to gradually improve its balance sheet, avoiding disruptive solutions that destroy capital.

In terms of our business, the Portuguese operation stands out for the accelerating pace at which it added new customers in 2017. In the first nine months of the year we added more than 150,000 new customers, with the base of active customers growing 3.6% compared with the previous year. There was also relevant growth in terms of digital customers, reaching a total of 850,000 active digital customers, a 15.5% increase from the previous year.

International operations contributed a total €131.3 million to the group's earnings, in line with the previous year.

In Poland, Bank Millennium announced earnings of €117.8 million. The Bank also announced its "Strategy 2020" plan, with ambitious objectives to achieve a net profit of 1 billion zloty, with core income rising 30% and the cost-to-income ratio dropping to 40%.

Millennium bim, in Mozambique, achieved net profit of €60.5 million – an increase of 28.2% in euro terms. Highlights include the mobile banking segment, which achieved a total of more than 400,000 active customers.

Banco Millennium Angola contributed €24.4 million to the group's profits. The bank remained a benchmark among Angolan private banks and our partnership with Banco Millennium Atlântico has been extremely positive.

Another important highlight for the whole group is the improved service quality for the customer experience. A very significant effort has been made to train employees and improve processes, with a visible impact on the market's evaluation as well as the customer sentiment about our service. In 2017, the bank has received more than 20 awards and other public recognition, including "Best Digital Bank" in Portugal and Poland and "Best Bank" in Mozambique. In Portugal, customer satisfaction indicators have been improving and in the latest Bank of Portugal Report on Banking Behavior we were acknowledged to be the bank with the fewest customer complaints in the Portuguese financial system. The emphasis on quality is a distinctive factor for Millennium bcp and is an area where we will continue to invest.

In general terms the results for the third quarter are positive. They confirm the bank's ability to generate positive results from its business quarter after quarter. The trend for the main business indicators is positive and reinforces our commitment to the goals we promised for 2018.

We have an unique positioning in Portugal and remain a reference in supporting the families, the companies and the societies where we are present.

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

António Monteiro
Chairman of the Board
of Directors

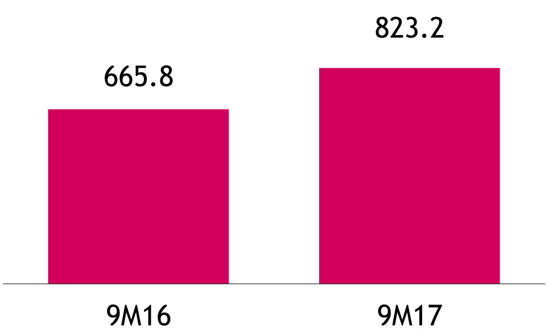
Information on the BCP Group

BCP IN THE FIRST 9 MONTHS OF 2017

MILLENNIUM BCP: A SOLID BANK...

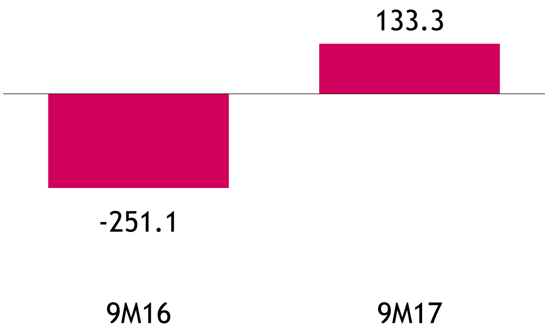
(*Million euros*)

Core income*



*Core net income = net interest income + net fees and commission income - operating costs.

Net income



Group

Customer base	**5.4 million active Customers (+6% vs Sep. 2016)**
Digital Customers	**2.4 million active digital Customers (+13% vs Sep.2016)**

Portugal

Customer acquisition	**Individuals: >150,000 Customers** **Companies: >12,000 Customers**
Digital Customers	**Individuals: >750,000 active** **Companies: >90,000 active**
Credit activity	**Individuals: €1.4 billion in new credit** **Companies: >€480 million under the “Portugal 2020” programme**

... READY FOR THE FUTURE!

MAIN INDICATORS

Financial Highlights

Euro million

	30 Sep. 17	30 Sep. 16	Change 17 / 16
Balance sheet			
Total assets	72,990	73,042	-0.1%
Loans to customers (gross)	50,754	52,610	-3.5%
Total customer funds	70,231	66,781	5.2%
Balance sheet total customer funds	52,265	50,576	3.3%
Resources from customers	50,690	48,937	3.6%
Loans to customers, net / Resources from customers (1)	94%	101%	
Loans to customers, net / Balance sheet total customer funds	91%	97%	
Results			
Net income	133.3	(251.1)	
Net interest income	1,023.2	907.0	12.8%
Net operating revenues	1,594.3	1,571.9	1.4%
Operating costs	694.6	722.4	-3.8%
Recurring operating costs (2)	718.3	720.6	-0.3%
Loan impairment charges (net of recoveries)	458.6	870.2	-47.3%
Other impairment and provisions	169.9	242.8	-30.0%
Income taxes			
Current	82.8	76.5	
Deferred	(19.7)	(144.7)	
Profitability			
Net operating revenues / Average net assets (1) (3)	2.9%	2.8%	
Return on average assets (ROA) (4)	0.4%	-0.3%	
Income before tax and non-controlling interests / Average net assets (1) (3)	0.5%	-0.4%	
Return on average equity (ROE)	3.2%	-7.7%	
Income before tax and non-controlling interests / Average equity (1) (3)	5.6%	-5.5%	
Credit quality			
Overdue loans and doubtful loans / Total loans (1)	7.8%	9.3%	
Overdue loans and doubtful loans, net / Total loans, net (1)	1.2%	2.3%	
Credit at risk / Total loans (1)	9.7%	11.4%	
Credit at risk, net / Total loans, net (1)	3.3%	4.5%	
Impairment for loan losses / Overdue loans by more than 90 days	108.9%	100.9%	
Efficiency ratios (1) (2) (3)			
Operating costs / Net operating revenues	45.1%	45.8%	
Operating costs / Net operating revenues (Portugal activity)	45.7%	47.0%	
Staff costs / Net operating revenues	25.3%	26.0%	
Capital (5)			
Common equity tier I phased-in	13.2%	12.2%	
Common equity tier I fully-implemented	11.7%	9.5%	
Branches			
Portugal activity	589	634	-7.1%
Foreign activity	542	555	-2.3%
Employees			
Portugal activity	7,281	7,429	-2.0%
Foreign activity	8,538	8,452	1.0%

(1) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version.
(2) Excludes specific items: Euro 23.7 million income in staff costs related to Collective Labour Agreement negotiation and restructuring costs in the first nine months of 2017 and Euro 1.7 million from restructuring costs in the first nine months of 2016.
(3) Given the booking of Banco Millennium Angola as a discontinued operation between March and May 2016, the consolidated balance sheet includes Banco Millennium Angola until its derecognition, determined by the completion of the merger with Banco Privado Atlântico, in May 2016, while the respective contribution to consolidated result is reflected in income from discontinued operations and non-controlling interests during that period, not influencing the remaining items of the consolidated income
(4) Considering net income before non-controlling interests.
(5) September 2017 and September 2016 include the accumulated net income of each period. September 2017 figures are estimated.

BCP Group

Brief description

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese privately-owned bank. The Bank, with its decision centre in Portugal, guides its action by the respect for people and institutions, by the focus on the Customer, by a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution on an international level. The Bank also holds a prominent position in Africa through its banking operations in Mozambique (in Angola, Banco Millennium Angola merged with Banco Privado Atlântico), and in Europe through its banking operations in Poland and Switzerland. The Bank operates in Macau through a full branch since 2010, when a memorandum of understanding was signed with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. In 2016, pursuant to a private placement Fosun became holder of 16.7% of the Bank's share capital having afterwards increased its holding to around 23.9% through the share capital increase completed in February 2017. Following the transactions carried out on September 8, 2017, Fosun held a 25.16% stake in BCP's share capital.

History

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

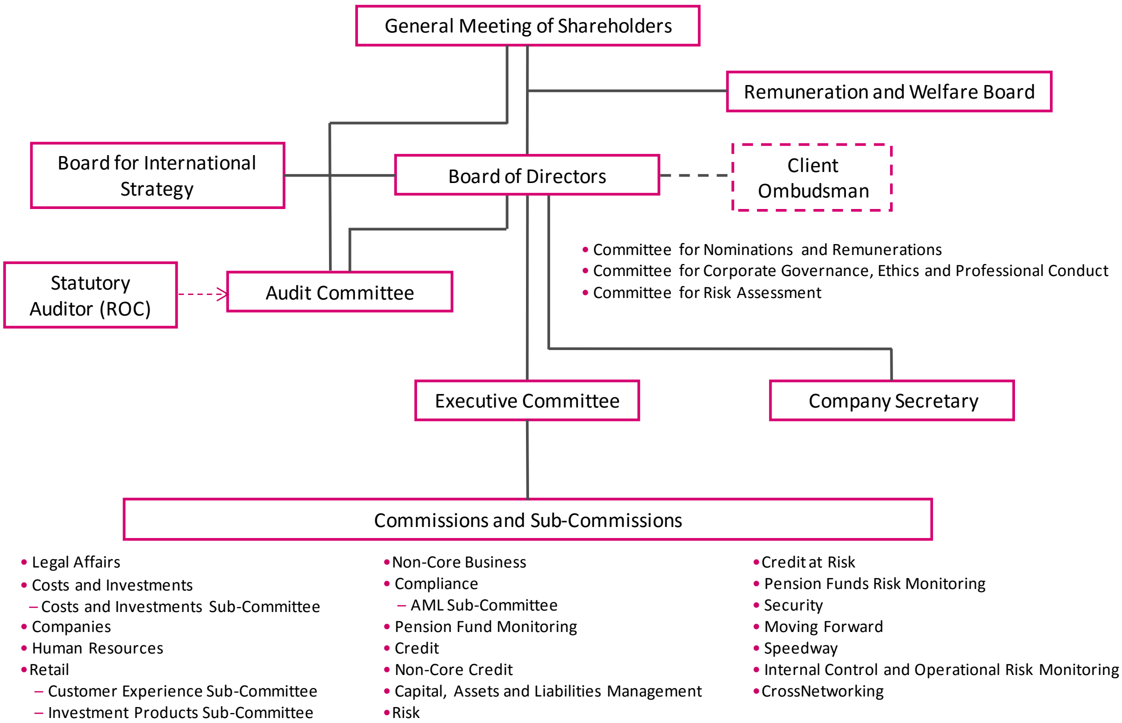
GOVERNANCE

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

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

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

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



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

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

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

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

The Board of Directors in office, as at 30 June 2017, was composed of 19 permanent members, with 11 non-executive and 8 executive members.

The Board of Directors appointed an Executive Committee (EC) composed of 8 of its members, to which it delegates the day-to-day management of the Bank. During the first six months of 2017 the Executive Committee was assisted in its management functions by several commissions and sub-commissions which oversaw the monitoring of certain relevant issues.

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

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

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

Identification and Composition of the Governing Bodies

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

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

(**) Pending authorization from BdP/ECB to exercise the respective functions

MAIN EVENTS IN THE 3RD QUARTER OF 2017

- NPE reduction plan implementation continued, with the annual NPE target for year-end 2017 already achieved. In this scope, it is also worth mentioning the creation of the "Plataforma de Gestão de Créditos Bancários, ACE", together with two other Portuguese banks, in order to increase effectiveness and speed in managing NPEs as well as companies' restructuring processes.
- Banco Comercial Português celebrated the 30th anniversary of its debut on the Portuguese Stock Exchange and Bank Millennium celebrated its 25th anniversary on the Warsaw Stock Exchange.
- Leadership in lending under the Portugal 2020 Program, with Euro 0.2 billion allocated during the first nine months of the year.
- The European Investment Bank granted a Euro 0.5 billion loan to Millennium bcp aimed at facilitating access to credit for SMEs and midcaps located in Portugal.
- Nuno Amado was distinguished with the "Best CEO Award" at the Investor Relations & Governance Awards, promoted by Deloitte. Millennium bcp was also distinguished with the "Best Financial Annual Report Award" and was nominated for "Best Investor Relations CFO" and "Best Investor Relations Officer".
- Millennium bcp and Bank Millennium have been named "Best Digital Banks 2017" for their countries by the international financial magazine Global Finance, within "The World's Best Consumer Digital Banks".
- Bank Millennium has been named the "Best Bank for Corporate Social Responsibility in Central and Eastern Europe", by the finance magazine Euromoney.
- Millennium bim was recognised for its performance in the banking sector with the "Best Bank in Mozambique 2017" award, in the scope of Euromoney Awards for Excellence, by the finance magazine Euromoney.

Main Awards

3Q17

Best branch experience
Best Customer Experience Awards | **Portugal**

Best site/ financial services app
ACEPI Navegantes | **Portugal**

#1 in both traditional and mobile banking
Newsweek Friendly Bank| **Poland**

Best digital strategy
ACEPI Navegantes | **Activobank Portugal**

Best commercial bank
World Finance| **Activobank Portugal**

2017

Best Consumer Digital Bank
Global Finance | **Portugal and Poland**

Closest to Customers, most innovating, most adequate products
Data E| **Portugal**

Consumer choice
Superbrands | **Portugal and Mozambique**

Branch transformation
Celent Model Bank Award | **Portugal**

Best private bank in Portugal
The Banker | **Portugal**

Banking Category
Marketeer | **Portugal**

Best Bank
Euromoney | **Mozambique**

Best Bank in Trade Finance
Global Finance | **Mozambique**

Best bank in social responsibility
Euromoney | **Poland**

BCP Share

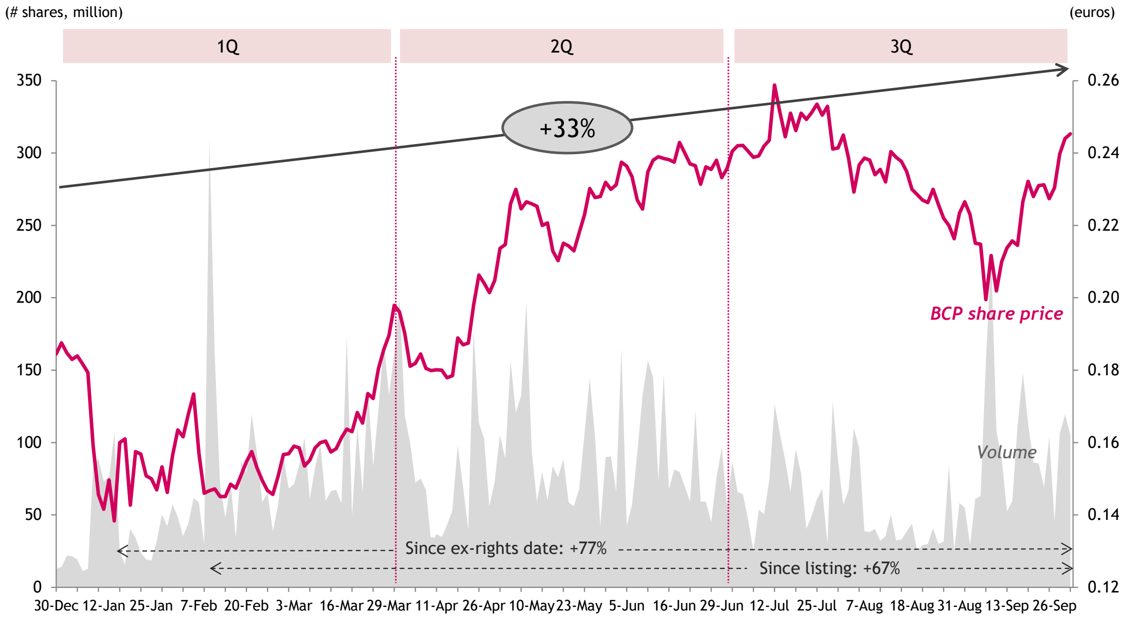
BCP share' price increased by 33.0% in the first nine months of 2017, outperforming both PSI 20 (+15.6%) and Eurostoxx 600 Banks (+11.0%) indexes.

BCP share performance is better explained when analysed by quarter:

1st Quarter 2017 (+6.3%): After decreasing in the beginning of the year as a reaction to the €1.3 billion share capital increase announcement, BCP share price initiated a recovery following the completion of the share capital increase, the listing of new shares and the early repayment of the remaining amount of CoCos. Since 9 February (date of the listing of new shares), BCP share price increased by 67%.

2nd Quarter 2017 (+20.2%): BCP share benefitted from a more positive environment for the European banking sector, resulting from a more favourable political environment following the Dutch and French elections and an improvement of the macro environment in Portugal, following the good results achieved on reduction of the public deficit and the upwards revision to GDP forecasts made by the Banco de Portugal and the IMF, which overcome the side effects of the resolution of Banco Popular, acquired by Santander in the beginning of June.

3rd Quarter 2017 (+4.1%): BCP share performance was affected by i) the imposition by the ECB of the increase in NPEs coverage by LLRs to Bank of Cyprus in August and the announcement of Liberbank's share capital increase in the beginning of September, which motivated a read across for other banks and also to BCP; ii) market uncertainty as regards the probability and timing of ECB increasing official interest rates; iii) growing international political tensions resulting from North Korea's military actions; and iv) a new proposal of solution for the conversion of CHF loans in Poland which involves a high quarterly contribution (for a new restructuring fund) for an uncertain period of time. In spite of these factors the recent upgrade of the rating of the Portuguese Republic to investment grade by S&P and the improvement in the market perception of the value of BCP as a result of the NPEs reduction that exceeded market expectations, were responsible by the recovery.



Source: Euronext

BCP Share Indicators

BCP Shares indicators

	Units	9M17	9M16
Adjusted prices			
Maximum price	(€)	0.2588	0.6459
Average price	(€)	0.2035	0.3730
Minimum price	(€)	0.1383	0.1886
Closing price	(€)	0.2453	0.1989
Shares and equity			
Number of ordinary shares	(M)	15,114	59,039
Shareholder's Equity attributable to the group	(M€)	6,052	4,076
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,992	4,016
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	0.014	-0.278
Book value (4)	(€)	0.396	0.068
Market indicators			
Closing price to book value	(PBV)	0.62	0.23
Market capitalisation (closing price)	(M€)	3707	909
Liquidity			
Turnover	(M€)	3,012	1,988
Average daily turnover	(M€)	16	10
Volume (5)	(M)	14,742	5,169
Average daily volume (5)	(M)	77	27
Capital rotation (6)	(%)	109.6%	113.1%

(1) Shareholder's Equity attributable to the group - Preferred shares.
(2) Considering the average number of shares outstanding
(3) Ajusted by the share capital increase completed in February 2017.
(4) Considering the average number of shares minus the number of treasury shares in portfolio.
(5) Ajusted by the share capital increase completed in February 2017.
(6) Total number of shares traded divided by the 9M average number of shares issued.

QUALIFIED HOLDINGS

On 30 June 2017, the following Shareholders held more than 2% of the share capital of Banco Comercial Português, S.A.:

30 June 2017			
Shareholder	Nr. of shares	% of share capital	% of voting rights
Chiado (Luxembourg) S.a.r.l., an affiliate of Fosun, whose parent company is Fosun International Holdings Ltd	3,738,412,411	24.73%	24.73%
Total of Fosun Group	**3,738,412,411**	**24.73%**	**24.73%**
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP, directly	2,303,640,891	15.24%	15.24%
Total of Sonangol Group	**2,303,640,891**	**15.24%**	**15.24%**
EDP Pensions Fund *	319,113,690	2.11%	2.11%
Total of EDP Group	**319,113,690**	**2.11%**	**2.11%**
Norges Bank, directly	327,405,240	2.17%	2.17%
Total of Norges Group	**327,405,240**	**2.17%**	**2.17%**
BlackRock**	307,981,328	2.04%	2.04%
Total of BlackRock	**307,981,328**	**2.04%**	**2.04%**
Total of Qualified Shareholders	**6,996,553,560**	**46.3%**	**46.3%**

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

** In accordance with the announcement on 5 April 2017.

After 30 June 2017, there were several announcements with implications on those holdings, namely:

- On September 11, 2017, the Bank informed that, following the transactions carried out on September 8, 2017, Chiado (Luxembourg) S.à.r.l. held a 25.16% stake in BCP's share capital.
- On October 19, 2017, the Bank informed that, following the transactions carried out on October 16, 2017, Norges held a 1.96% stake in BCP's share capital.
- On October 4, 2017, the Bank informed that, following the transactions carried out on October 3, 2017, BlackRock held a 2.63% stake in BCP's share capital.

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

Business Model

ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) projects an acceleration of the global economy in 2017 (3.6%), reflecting the improvement observed in the first half of the year in the activity indicators of most economies, in particular among the developed countries, as well as the favourable climate in the international financial markets. In the medium term the continuity of the global expansionary cycle is nonetheless subject to important risks, which according to the IMF relate to the stability of the global financial system and the resurgence of geopolitical tensions.

Despite the positive evolution of the global economic activity and investors' optimism, the monetary policy of the main central banks has not suffered any additional tightening. In effect, the European Central Bank pressed forward with its asset purchase program and the US Federal Reserve kept their key interest rates unaltered during the third quarter.

Notwithstanding the worsening of the world geopolitical risks, in particular, coming out of the Korean peninsula, the climate resulting from the combination of the improved global economy with the lingering degree of extreme accommodative global monetary conditions favoured the widespread appreciation of the main financial asset classes. Within the equity segment it should be highlighted that all of the main US indices have reached consecutive historical highs, in line to what occurred in the previous quarters. In the interest rates domain, the stability of the oil price and the modest wage growth in the developed economies contributed to reinforce the expectations of a slow normalisation of the monetary policy in the main economic blocks, which led to an absence of defined direction in the evolution of the government bond yields of the low-risk countries, such as Germany and the US. The elevated quantity of existing liquidity in the interbank money market of the Euro and the perspective that the ECB's key interest rates will remain at the current levels for a protracted period of time meant that the Euribor rates stood at negative values for all maturities.

According to Statistics Portugal, during the first six months of 2017, Portugal's GDP rose by 2.9% annually, which represents a strong acceleration relative to that recorded in the analogous period of 2016 (1.1%). The increased pace of economic activity reflected the strong recovery of investment and the improvement in the contribution of the net external demand, which attenuated the deceleration of private consumption and the contraction of public spending. The context of greater economic dynamism along with the process of stabilisation of the banking setor and the reduction of the fiscal balance to the levels demanded by the European Union contributed to the announcement by the ratings agency Standard & Poors' of an one notch upgrade of the rating of the Portuguese Republic to investment grade, which translated positively into the performance of the domestic financial assets. In the third quarter, the main Portuguese equity index appreciated by 5% and the risk premia of the Portuguese government debt securities vis-à-vis the German counterparts tightened significantly.

In Poland, the continuation of an expansionary fiscal policy together with the rise in construction investment co-funded with European funds translated into a strong acceleration of private consumption and the recovery of investment. The performance of these two components pushed GDP to annual growth levels around 4% in the first two quarters of 2017. Despite the dynamism of economic activity, inflationary pressures remained controlled, allowing the Polish central bank to maintain its monetary policy unaltered by keeping the key interest rate at 1.50%. The Zloty remained relatively stable during the third quarter when compared to the previous one.

After the strong deceleration of activity recorded in 2016, the Mozambican economy has been showing signs of recovery, stimulated by the strong rise in exports associated to the megaprojects, which has translated into an improvement of the current account deficit and the stabilisation of the foreign Exchange rate of the Metical against the dollar. At the same time, the government has been presenting a set of measures aimed at raising the robustness of the public finances. In this context of improvement of the economic situation, the IMF has forecast a GDP expansion rate of 4.7% in 2017, which compares with 3.8% in 2016. In Angola, despite the increase in oil prices relative to the previous year, the level of the net foreign exchange reserves continue to dwindle and the economic activity still presents important frailties, with the IMF forecasting GDP growth to be 1.5% this year.

RESULTS AND BALANCE SHEET

In the context of the merger process between Banco Millennium Angola and Banco Privado Atlântico, Banco Millennium Angola was considered a discontinued operation in March 2016 with the impact of its results presented as "income arising from discontinued operations". On the consolidated balance sheet, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method up to April 2016.

After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium Angola were no longer considered in the consolidated balance sheet and the investment of 22.5% in Banco Millennium Atlântico, the new entity arising from the merger, started being consolidated using the equity method, while its contribution to the Group's results have been recognised in the consolidated accounts from May 2016 onwards.

RESULTS

The **core net income** of Millennium bcp increased 23.7% from Euro 665.8 million in the first nine months of 2016, amounting to Euro 823.2 million in the same period of 2017, benefiting, on the one hand, from the 12.8% growth in net interest income and 2.8% in net commissions and, on the other, from the 3.8% reduction of operating costs. Excluding the effect of specific items (a Euro 23.7 million income from the negotiation of the Bank's Collective Labour Agreement net of restructuring costs, in the first nine months of 2017, and a Euro 1.7 million cost in restructuring costs, in the first nine months of 2016), core net income achieved Euro 799.6 million in the first nine months of 2017, an increase of 19.8% comparing to the same period of the previous year.

The performance of core net income, on a comparable basis, reflects both the positive performance of the activity in Portugal (+13.9%) and of the international activity (+30.0%), leading to a decrease in the cost to income ratio, excluding specific items, to 45.1% in the first nine months of 2017, compared to 45.8% posted in the same period of 2016, highlighting that, without considering the adjustment of the specific items, the cost to income ratio of 30 September 2017 is more favorable and shows an even more positive progression from the end of September 2016.

Net income in the first nine months of 2017 achieved a profit of Euro 133.3 million, showing an increase compared to a loss of Euro 251.1 million registered in the same period of the previous year, sustained by the performance of the activity in Portugal.

In the activity in Portugal, net income increased by Euro 395.0 million compared to the first nine months of 2016, reaching Euro 0.8 million in the first nine months of 2017, supported by the reduction of impairments and provisions and by the growth of core net income.

The positive impact, net of tax, of the above-mentioned specific items, amounted to Euro 16.7 million, in the first nine months of 2017, which compares with the Euro 20.9 million gain (net of tax) related to the purchase of Visa Europe by Visa Inc in the same period of 2016.

In the international activity, net income totalled Euro 131.3 million in the first nine months of 2017 and Euro 134.8 million in the same period of the previous year, reflecting the lower contributions from the operations in Poland and Angola, despite the increase in the contribution of the remaining operations, notwithstanding negative exchange rate effects. However, it should be noted that the performance of the contribution of Poland is penalised by the gain booked in 2016 associated with the purchase of Visa Europe by Visa Inc (Euro 26.3 million) and by the recognition of the mandatory contributions, namely of the contribution to the Resolution Fund, which was accrued in 2016 and whose value of 2017 was fully recognised in March 2017, and the new Polish banking tax introduced in February 2016.

Net interest income increased 12.8% from Euro 907.0 million registered in the first nine months of 2016, reaching Euro 1,023.2 million in the first nine months of 2017. This performance benefited from the favourable contribution of both, Portugal and international activity.

In the activity in Portugal, net interest income achieved Euro 591.8 million in the first nine months of 2017, showing an increase of 9.0% compared to the same period of the previous year, essentially reflecting the lower cost of funding determined by the positive impact of CoCos' repayment and by the continued reduction of interest rates of term deposits, despite the lower gains in the loans and the securities portfolios.

In the international activity, net interest income excluding exchange rate effects increased 19.2% in the first nine months of 2017, compared to the same period of the previous year, reflecting the positive performance of all subsidiaries, in particular Mozambique and Poland.

Net interest margin in the first nine months of 2017 stood at 2.17%, which compares with 1.88% in the same period of 2016. Excluding the impact from the cost of CoCos, net interest margin reached 2.19% in the first nine months of 2017 and 1.98% in the same period of 2016.

AVERAGE BALANCES

Euro million

	30 Sep.17		30 Sep.16	
	Amount	Yield %	Amount	Yield %
Deposits in banks	2,937	0.91	3,208	0.58
Financial assets	11,090	2.27	10,540	2.07
Loans and advances to customers	48,033	3.30	49,750	3.22
Interest earning assets	**62,060**	**3.00**	**63,498**	**2.90**
Discontinued operations (1)	0		977	
Non-interest earning assets	10,571		9,962	
	72,631		**74,437**	
Amounts owed to credit institutions	9,354	0.24	10,624	0.30
Resources from customers	50,363	0.66	49,090	0.73
Debt issued	3,188	2.88	4,301	3.24
Subordinated debt	941	6.87	1,654	7.31
Interest bearing liabilities	**63,846**	**0.80**	**65,669**	**0.99**
Discontinued operations (1)	0		914	
Non-interest bearing liabilities	2,166		2,457	
Shareholders' equity and non-controlling interests	6,619		5,397	
	72,631		**74,437**	
Net interest margin		2.17		1.88
Net interest margin (excl. cost of CoCos)		2.19		1.98

Note: Interest related to hedge derivatives were allocated, in September 2017 and 2016, to the respective balance sheet item.
(1) Includes the activity of the subsidiary in Angola (in 2016), as well as the respective consolidation adjustments.

Net commissions reached Euro 494.6 million in the first nine months of 2017, increasing 2.8% from Euro 481.1 million registered in the same period of the previous year, boosted by the performance of the international activity, in particular in Poland (+16.5% excluding exchange rate effects), with the performance of the activity in Portugal being affected by a higher one-off amount recorded in other banking commissions in the first quarter of 2016.

The increase of net commissions in the first nine months of 2017 reflects both the performance of banking commissions and the increase in market commissions which grew 2.1% and 5.8%, respectively, compared to the same period of 2016.

Net trading income amounted to Euro 115.0 million in the first nine months of 2017, compared to Euro 212.5 million accounted in the same period of 2016, which reflects the gain of Euro 91.1 million related to the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and by Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

Other net operating income was negative by Euro 97.0 million in the first nine months of 2017, in line with the negative Euro 96.3 million accounted in the same period of the previous year.

This item includes the costs associated with mandatory contributions as well as with the Resolution Fund and the Deposit Guarantee Fund in both Portugal and the international activity.

In the activity in Portugal, other net operating income in the first nine months of 2017 were Euro 6.7 million lower than in the same period of 2016, mainly due to the higher amount of mandatory contributions recorded in 2017.

Inversely, other net operating income in the international activity increased 12.2% (15.2%, excluding exchange rate effects) in the first nine months of 2017, compared to the same period of the previous year, despite the accounting in the first half of 2017 of the estimated annual contribution for the Resolution Fund in Poland, which was accrued in 2016, and the new tax on Polish banks, which was only introduced in February 2016.

Dividends from equity instruments, which comprises dividends received from investments in financial assets available for sale, and **equity accounted earnings**, jointly totalled Euro 58.5 million in the first nine months of 2017, compared to Euro 67.6 million reached in the same period of 2016, with this performance being conditioned by the positive impact of the gains from UNICRE related to the transaction of its shareholding in Visa Europe during the first half of 2016, despite the higher gains in the first nine months of 2017 from the shareholding in Banco Millennium Atlântico, the new entity that resulted from the merger of Banco Millennium Angola with Banco Privado Atlântico, from May 2016 onwards.

OTHER NET INCOME

Euro million

	30 Sep. 17	30 Sep. 16	Change 17/16
Net commissions	**494.6**	**481.1**	**2.8%**
Banking commissions	400.0	391.7	2.1%
Cards and transfers	115.3	107.8	6.9%
Credit and guarantees	117.9	117.9	-0.1%
Bancassurance	71.4	66.4	7.6%
Current account related	69.4	68.1	1.8%
Other commissions	26.1	31.4	-16.7%
Market related commissions	94.6	89.5	5.8%
Securities	63.2	61.2	3.3%
Asset management	31.4	28.3	11.0%
Net trading income	**115.0**	**212.5**	**-45.9%**
Other net operating income	**(97.0)**	**(96.3)**	**-0.7%**
Dividends from equity instruments	**1.7**	**7.0**	**-75.8%**
Equity accounted earnings	**56.8**	**60.6**	**-6.3%**
Total other net income	**571.1**	**664.9**	**-14.1%**
Other net income / Net operating revenues	35.8%	42.3%	

Operating costs, excluding the effect of specific items (a Euro 23.7 million profit that includes gains from the Collective Labour Agreement negotiation and restructuring costs in the first nine months of 2017, and Euro 1.7 million from restructuring costs in the first nine months of 2016) totalled Euro 718.3 million in the first nine months of 2017, a slightly lower level (-0.3%) than the same period of the previous year, reflecting the cost savings obtained in the activity in Portugal despite the increase of costs in the international activity.

In the activity in Portugal, operating costs, excluding the above-mentioned specific items, showed a decrease of 3.3% compared to the first nine months of 2016, determined by the decline of staff costs and also by other administrative costs savings, amounting to Euro 447.5 million in the first nine months of 2017.

In the international activity, excluding the exchange rate effect, operating costs increased 5.3%, from the amount accounted in the first nine months of 2016, mainly influenced by the performance of the subsidiary in Mozambique and Poland.

Staff costs, excluding the impact of the above mentioned specific items, amounted to Euro 403.8 million in the first nine months of 2017, showing a 1.2% reduction from Euro 408.7 million registered in the same period of the previous year. This reduction was determined by the performance of the activity in Portugal, which benefited from the impact of the decrease of 148 employees from the end of September 2016, notwithstanding the decision of the Board of Directors of the Bank to end, in advance, the temporary adjustment that has been in force since July 2014, following the full reimbursement of CoCos with effect from 30 June 2017.

In the international activity, staff costs increased 6.1%, excluding exchange rate effects induced by the operations in Poland and in Mozambique.

Other administrative costs stood at Euro 274.8 million in the first nine months of 2017 (Euro 274.9 million in the same period of the previous year), supported by the positive impact of the rationalisation and cost containment measures that have been implemented in Portugal, and which translated into a reduction of Euro 5.4 million from the first nine months of 2016.

In the international activity, excluding exchange rate effects, there was a 5.4% increase in other administrative costs mainly influenced by the activity in Mozambique.

Depreciation costs totalled Euro 39.7 million in the first nine months of 2017, comparing to Euro 37.0 million posted in the same period of 2016, determined by the performance of the activity in Portugal, namely by the higher IT equipment, real estate properties and software depreciation costs. In the international activity, not considering the exchange rate effect, depreciation costs decreased 1.7%

compared to the amount registered in the first nine months of 2016.

OPERATING COSTS

Euro million

	30 Sep. 17	30 Sep. 16	Change 17/16
Staff costs	403.8	408.7	-1.2%
Other administrative costs	274.8	274.9	-0.1%
Depreciation	39.7	37.0	7.3%
Subtotal (1)	**718.3**	**720.6**	-0.3%
Specific items			
Restructuring costs and Collect. Lab. Agt. revision	(23.7)	1.7	
Operating costs	**694.6**	**722.4**	**-3.8%**
Of which:			
Portugal activity (1)	447.5	462.9	-3.3%
Foreign activity	270.8	257.7	5.1%

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

Impairment for loan losses (net of recoveries) fell by 47.3% from Euro 870.2 million accounted in the first nine months of 2016, to stand at Euro 458.6 million in the first nine months of 2017, due to the favourable performance of the activity in Portugal, shown on the improvement in the Group's cost of risk from 221 basis points in the first nine months of 2016 to 120 basis points in the same period of 2017.

Other impairment and provisions totalled Euro 169.9 million in the first nine months of 2017, decreasing 30.0% from Euro 242.8 million recorded in the same period of the previous year, reflecting the lower level of provisions related to corporate restructuring funds and other debt instruments, despite the reinforcement that occurred in other assets.

Income tax (current and deferred) stood at Euro 63.1 million, in the first nine months of 2017, compared to Euro -68.2 million posted in the same period of 2016.

These taxes include current tax costs of Euro 82.8 million (Euro 76.5 million in the first nine months of 2016), net of deferred tax income of Euro 19.7 million (Euro 144.7 million in the first nine months of 2016).

BALANCE SHEET

Total assets stood at Euro 72,990 million as at 30 September 2017, comparing to Euro 73,042 million as at 30 September 2016. It is worth noting the reduction of loans to customers and the increase in financial assets available for sale.

Loans to customers (gross) amounted to Euro 50,754 million as at 30 September 2017, down from Euro 52,610 million recorded as at 30 September 2016, influenced by the decrease of the activity in Portugal, partially offset by the increase showed by the international activity.

In the activity in Portugal, loans to customers decreased 5.8% from 30 September 2016, amounting to Euro 37,947 million as at 30 September 2017, as a result of the measures to reduce NPEs, since the continued development of initiatives to support financing needs of companies and individuals reflected on the significant increases in loans to individuals and to companies production, favoured the stabilization of the performing loans portfolio in the first nine months of 2017.

The performance of loans to companies was also accompanied by a structural change in order to reduce the weight of construction and real estate activities and non-financial holding companies against exporting industries.

In the international activity, loans to customers increased 4.0% (2.0% excluding exchange rate effects) from 30 September 2016, mainly supported by the contribution of the operations in Poland and Mozambique, namely the growth of loans to companies.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of September 2016 and September 2017, with loans to companies representing 46% of total loans to customers as at 30 September 2017.

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, showed a favourable performance, dropping from 7.2% as at 30 September 2016 to 6.1% as at 30 September 2017, while the corresponding coverage ratio for loans overdue by more than 90 days improved from 100.9% as at 30 September 2016 to 108.9% in the same date of 2017.

The credit at risk ratio reached 9.7% as at 30 September 2017, which compares favourably with 11.4% on the same date of the previous year. As at 30 September 2017, the restructured loans ratio stood at 8.9% of total loans, from 10.1% registered as at 30 September 2016, and the ratio of restructured loans not included in the credit at risk stood at 4.9% of total loans compared to 6.0% at the same date of 2016.

LOANS TO CUSTOMERS (GROSS) *Euro million*

	30 Sep. 17	30 Sep. 16	Change 17/16
Individuals	**27,174**	**28,346**	**-4.1%**
Mortgage	23,406	24,273	-3.6%
Consumer and others	3,768	4,074	-7.5%
Companies	**23,580**	**24,263**	**-2.8%**
Services	8,831	9,474	-6.8%
Commerce	3,287	3,136	4.8%
Construction	2,624	3,063	-14.3%
Other	8,838	8,590	2.9%
Total	**50,754**	**52,610**	**-3.5%**
Of which:			
Portugal activity	37,947	40,291	-5.8%
Foreign activity	12,807	12,319	4.0%

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 SEPTEMBER 2017

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**628**	**669**	**2.3%**	**106.5%**
Mortgage	246	314	1.1%	127.6%
Consumer and others	382	355	10.1%	92.9%
Companies	**2,481**	**2,718**	**10.5%**	**109.6%**
Services	979	1,396	11.1%	142.6%
Commerce	218	194	6.6%	89.1%
Construction	706	622	26.9%	88.1%
Other	577	506	6.5%	87.6%
Total	**3,109**	**3,387**	**6.1%**	**108.9%**

Total customer funds were redefined, with reference to 30 September 2017 and, consequently, on a comparable basis to the end of September 2016, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management.

Total customer funds, increased 5.2% from Euro 66,781 million registered as at 30 September 2016, amounting to Euro 70,231 million as at 30 September 2017. This increase was supported by the performance of both, Portugal and the international activity.

In the activity in Portugal, total customers funds, reached Euro 51,493 million as at 30 September 2017, showing an increase of 4.5% comparing to Euro 49,294 million at the same date of the previous year, benefiting from both the growth in off-balance sheet customer funds (+ Euro 1,321 million), and on balance sheet customer funds, highlighting the performance of resources from customers, which increased by Euro 947 million from 30 September 2016.

Total customer funds in the international activity registered an increase of 7.2% from Euro 17,487 million as at 30 September 2016, reaching Euro 18,738 million as at 30 September 2017, mainly influenced by the performance of the subsidiary in Poland, particularly in customer deposits. Not considering the exchange rate effects, total customer funds of the international activity grew 5.8%.

As at 30 September 2017, balance sheet total customer funds represented 74% of total customer funds, with resources from customers representing 72% of total customer funds.

According to the Bank of Portugal's Instruction no. 16/2004, the loan to deposits ratio improved from 101% as at 30 September 2016 to 94% as at 30 September 2017. The same ratio, considering the total on-balance sheet customers' funds, stood at 91% (97% as at 30 September 2016).

TOTAL CUSTOMER FUNDS

Euro million

	30 Sep. 17	30 Sep. 16	Change 17/16
Balance sheet total customer funds	**52,265**	**50,576**	**3.3%**
Resources from customers	50,690	48,937	3.6%
Debt securities	1,575	1,638	-3.9%
Off-balance sheet customer funds	**17,966**	**16,206**	**10.9%**
Assets under management and investment funds	8,354	7,505	11.3%
Capitalisation products	9,612	8,701	10.5%
Total	**70,231**	**66,781**	**5.2%**

The **securities portfolio** reached Euro 13,487 million as at 30 September 2017, compared to Euro 12,352 million posted at the same date of the previous year, representing 18.5% of total assets as at 30 September 2017, above the 16.9% observed as at 30 September 2016, mainly reflecting the performance of Portugal's securities portfolio.

Business Areas

ACTIVITY PER SEGMENTS

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

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

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

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

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

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

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

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

The net income of each segment includes the non-controlling interests, when applicable. Therefore, the values of net income presented incorporate the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

Operating costs related to the business segments do not include gains from the Collective Labour Agreement negotiation and restructuring costs in the first nine months of 2017, nor the restructuring costs recorded in the same period of 2016.

Total customer funds were redefined, with reference to 30 September 2017 and, consequently, on a comparable basis to the end of September 2016, reflecting a broader concept in order to include amounts held by customers as part of existing agreements for its placement and management.

The information presented below was based on the financial statements prepared in accordance with the IFRS and organisation of the Group's business areas as at 30 September 2017.

RETAIL

Million euros

Retail Banking	30 Set. 17	30 Set. 16	Chg. 17/16
Profit and loss account			
Net interest income	304.4	287.9	5.8%
Other net income	290.7	272.7	6.6%
	595.1	560.6	6.1%
Operating costs	353.6	363.1	-2.6%
Impairment	51.2	59.7	-14.2%
Net (loss) / income before income tax	190.3	137.8	38.0%
Income taxes	55.9	40.6	37.4%
Net (loss) / income after income tax	134.4	97.2	38.3%
Summary of indicators			
Allocated capital	506	523	-3.2%
Return on allocated capital	36.0%	24.8%	
Risk weighted assets	4,795	4,851	-1.2%
Cost to income ratio	59.1%	64.8%	
Loans to Customers	16,769	17,302	-3.1%
Total Customer funds	35,253	34,054	3.5%

Notes:

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

Results

Net (loss)/income after income tax from continuing operations totalled 134.4 million Euros in the first nine months of 2017 (64.7 million Euros in the same period of 2016), mainly due to the increase in total operating income and to the reduction in operating costs:

- Net interest income went up to 304.4 million Euros in the first nine months of 2017 (287.9 million Euros at the end of September 2016), mainly due to the continued decrease in the rate of deposits, despite the decline in the yield of credit portfolios.
- Other net profits rose from 272.7 million Euros in the first nine months of 2016 to 290.7 million Euros in the same period of 2017, showing a 6.6% increase.
- Operating costs went 2.6% down from 2016, reflecting the continuous implementation of the initiatives that were set out in the Strategic Plan.

- Impairment charges amounted to 51.2 million Euros in the first nine months of 2017, comparing favourably to 59.7 million Euros recorded in the same period of 2016.
- In September 2017, loans to customers totalled 16,769 million Euros, decreasing from the 17,302 million Euros reported in the same period in 2016, despite the development of a range of products and services by the Bank meant to meet the financial needs of families and small businesses.
- Total customer funds amounted to 35,253 million Euros by the end of September 2017 (34,054 million Euros recorded in June 2016).

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

Companies, Corporate & Investment Banking	30 Set. 17	30 Set. 16	Chg. 17/16
Profit and loss account			
Net interest income	195.5	209.1	-6.5%
Other net income	124.0	115.3	7.6%
	319.5	324.4	-1.5%
Operating costs	68.2	72.5	-5.9%
Impairment	186.8	411.6	-54.6%
Net (loss) / income before income tax	64.5	(159.7)	-140.4%
Impostos	18.0	(47.2)	-138.1%
Net (loss) / income after income tax	46.5	(112.5)	-141.4%
Summary of indicators			
Allocated capital	709	759	-6.6%
Return on allocated capital	8.8%	-19.8%	
Risk weighted assets	7,063	7,226	-2.2%
Cost to income ratio	21.3%	22.3%	
Loans to Customers	10,609	10,858	-2.3%
Total Customer funds	10,776	10,094	6.8%

Notes:

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

Results

Net (loss)/income after income tax from continuing operations totalled 46.5 million Euros in the first nine months of 2017, which compares to a loss of 112.5 million Euros in the same period of 2016, caused mainly by the decrease in impairment charges:

- Net interest income stood at 195.5 million Euros in the first nine months of 2017 (209.1 million Euros at the end of June 2016), driven by the impact of the decrease in average interest rates for credit.
- Other net profits rose from 115.3 million Euros in the first nine months of 2016 to 124.0 million Euros in the first nine months of 2017, evidencing a 7.6% increase.
- Operating costs totalled 68.2 million Euros in the first nine months of 2017, a 5.9% plunge from the same period of 2016 (72.5 million Euros).
- Impairment stood at 186.8 million Euros in the first nine months of 2017, 54.6% down from 411.6 million Euros recorded at the end of September 2016, translating the trend towards a normal cost of risk in the activity in Portugal, after the recognition of additional impairment in 2016, allowing the reinforcement of coverage levels.

- As at September 2017, loans to customers totalled 10,609 million Euros (10,858 million Euros in 2016), due to the still slight recovery of the Portuguese economy, in spite of the continued focus on offering solutions to support the companies' businesses.
- Total customer funds as at September 2017 reached 10,776 million Euros (10,094 million Euros recorded in the same period of 2016) showing a rise in customers' deposits and off-balance sheet customer funds.

PRIVATE BANKING

Million euros

Private Banking	30 Set. 17	30 Set. 16	Chg. 17/16
Profit and loss account			
Net interest income	11.7	11.2	5.1%
Other net income	30.7	22.8	34.3%
	42.4	34.0	24.7%
Operating costs	11.6	11.2	2.9%
Impairment	1.9	1.6	19.8%
Net (loss) / income before income tax	28.9	21.2	36.6%
Income taxes	8.3	6.3	33.4%
Net (loss) / income after income tax	20.6	14.9	38.0%
Summary of indicators			
Allocated capital	12	10	19.9%
Return on allocated capital	219.9%	197.4%	
Risk weighted assets	135	95	42.5%
Cost to income ratio	28.9%	33.1%	
Loans to Customers	220	177	24.6%
Total Customer funds	7,046	6,315	11.6%

Notes:

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

Results

From a geographic segmentation standpoint, net (loss)/income after income tax from continuing operations in the Private Banking business totalled 20.6 million Euros in the first nine months of 2017 comparing favourably to 14.9 million Euros recorded in the same period of 2016), mainly due to increase in the total operating income, slightly dimmed by the increase in operating costs and impairment:

- Net interest income went up to 11.7 million Euros in the first nine months of 2017 (11.2 million Euros at the end of September 2016), mainly due to the sustained decrease in the rate of deposits.
- Other net profits rose to 30.7 million Euros in the first nine months of 2017 (22.8 million Euros in the same period of 2016), returning a 34.3% increase.
- Operating costs amounted to 11.6 million Euros in the first nine months of 2017, 2.9% down versus the amount recorded in the same period of 2016.
- Loans to customers amounted to 220 million Euros by the end of September 2017 (177 million Euros recorded in September 2016).
- Total customer funds reached 5,046 million Euros as at September 2017 (climbing 11.6% from the amount recorded on 30 September 2016), due to the performance of assets under management and investment funds.

FOREIGN BUSINESS

Million euros

Foreign Business	30 Set. 17	30 Set. 16	Chg. 17/16
Profit and loss account			
Net interest income	420.6	351.3	19.7%
Other net income (*)	184.4	223.2	-17.4%
of which: equity accounted earnings from BMA (*)	24.4	10.0	142.8%
	605.0	574.5	5.3%
Operating costs	270.8	257.7	5.1%
Impairment	70.1	62.0	12.8%
Net (loss) / income before income tax	264.1	254.8	3.7%
Income taxes	61.9	66.2	-6.4%
Net (loss) / income after income tax from continuing operations	202.2	188.6	7.2%
Net (loss) / income from discontinued operations (**)	--	36.8	-100.0%
Net (loss) / income after income tax	202.2	225.4	-10.3%
Summary of indicators			
Allocated capital	1,283	1,218	5.3%
Return on allocated capital	21.1%	24.7%	
Risk weighted assets	10,767	10,178	5.8%
Cost to income ratio	44.8%	44.8%	
Loans to Customers	12,353	11,923	3.6%
Total Customer funds	18,738	17,487	7.2%

(*) 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 (from the first four years of 2016).

Results

Net income of Foreign Business, according to the geographic segments, stood at 202.2 million Euros in the first nine months of 2017 (225.3 million Euros achieved in the same period of 2016). This performance includes, in the first nine months of 2016, 52.4 million Euros in gains, after taxes, with the sale of Visa Europe by Bank Millennium in Poland; it also takes into consideration, under discontinued operations, the total net income of Banco Millennium Angola in the first four months of 2016 (36.8 million Euros) as well as the equity accounted earnings from Millennium bcp's shareholding in Banco Millennium Atlântico amounting to 24.4 million Euros in the first nine months of 2017 (10.0 million Euros in the period of May to September 2016):

The figures for Foreign Business show the following performance:

- Net interest margin rose to 420.6 million Euros in the first nine months of 2017 (351.3 million Euros in the same period of 2016). Excluding foreign exchange effects, the increase would have been 19.2%, mainly translating the contributions of Bank Millennium in Poland and Banco Internacional de Moçambique.
- Other net income excluding the equity accounted earnings related to the stake held in Banco Millennium Atlântico and the impact of the sale of Visa Europe, by Bank Millennium in Polónia, shows a 7.7% increase (6.9% excluding foreign exchange effects) despite the higher level of mandatory contributions in Poland.
- Operating costs amounted to 270.8 million Euros in the first nine months of 2017, 5.1% up from the same period of 2016. This evolution was mainly due to the contribution of Bank Millennium in Poland. Excluding foreign exchange effects, operating costs would have risen 5.3%, mainly influenced by the operations in Mozambique and Poland.

- Impairment totalled 70.1 million Euros in the first nine months of 2017, standing above the 62.0 million Euros recorded in the same period in 2016; excluding foreign exchange effects it would have risen 13.5%, mainly caused by the performance of Mozambique and Poland.
- Loans to customers stood at 12,353 million Euros, a 3.6% increase from the 11,923 million Euros of 30 September 2016. Excluding foreign exchange effects, this increase was 1.7%, influenced by the performance of Poland and despite the inverse evolution in Mozambique.
- Total customer funds from business abroad increased by 7.2% from the 17,487 million Euros reported on 30 June 2016, standing at 18,738 million Euros on 30 September 2017, mainly due to the performance of Poland and mostly to the customers' deposits and other loans. Excluding the foreign exchange effects, total customer funds increased 5.8%.

LIQUIDITY AND FUNDING

During the first nine months of 2017 the consolidated wholesale funding needs of the Bank decreased by approximately Euro 1.8 billion, mainly due to the share capital increase of the Bank and to the reduction of the commercial gap in Portugal, the effects of which were partially offset by the increase of the securities debt portfolio.

In this period, the Bank fully repaid the CoCos (Euro 0.7 billion), slightly increased the use of REPOS in Portugal (by Euro 0.1 billion, to a balance of Euro 2.4 billion) and reduced the collateralised funding from the Eurosystem (by Euro 0.9 billion, to Euro 4.0 billion, which represents the balance of the targeted long term refinancing operations (TLTRO)).

As far as medium-long term debt is concerned, in addition to the amortisation of the remaining Medium Term Notes (MTN) in the amount of Euro 0.3 billion, the Bank also repaid in June the remaining issue of covered bonds placed in the market, and refinancing through a similar issue of Euro 1.0 billion, with a five year maturity. This issue marked the return of the Bank to the medium-long term debt market, three years after the placement of an MTN amortised in last February. The Bank also booked a new loan of Euro 0.3 billion from the European Investment Bank (EIB), which total balance grew to Euro 1.5 billion.

In net terms, the funding with the Eurosystem decreased by Euro 1.0 billion from December 2016, to Euro 3.4 billion. The significant decrease of the exposure to the Eurosystem allowed a reinforcement of the liquidity buffer with the ECB by Euro 1.5 billion compared with December 2016, to Euro 9.1 billion. On a pro forma basis the collateral currently allocated in excess to the covered bond program (which, under the form of an issue to be retained at the portfolio of ECB eligible assets, would allow its increase by an amount of at least Euro 1.0 billion after haircuts, assuming the use of the valuation criteria of the ECB concerning the other retained issues), were added to the buffer, as well as a portfolio of Treasury Bills amounting to USD 0.6 billion, its value would increase to Euro 10.6 billion, an increase of Euro 1.5 billion compared with December 2016.

CAPITAL

CRD IV/CRR(1) establishes Pillar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under SREP(2), the European Central Bank notified BCP about the need to comply with phased-in capital ratios, during 2017, of 8.15% (CET1), 9.65% (Tier 1) and 11.65% (Total), including 2.4% of additional Pillar 2 requirements and 1.25% of a capital conservation buffer.

The estimated phased-in and fully-implemented CET1 ratios as at 30 September 2017 stood at 13.2% and 11.7%, respectively, reflecting an increase of 102 and 222 basis points, compared to the 12.2% and 9.5% ratios recorded in the same period of 2016.

This reinforcement of the capital levels was mainly determined by the CET1 improvement, which included, on one hand, the share capital increases performed in the fourth quarter of 2016 and in the first quarter of 2017, even though these were partially used for the full reimbursement of the remaining CoCo bonds, and, on the other hand, the positive net income and the favourable contributions of the fair value and FX reserves during this period, notwithstanding a higher level of deductions related to deferred tax assets and to the shortfall of impairment to expected loss, as well as the phase-in effects that also affected the CET1 computed on this basis.

SOLVENCY RATIOS (CRD IV/CRR) Euro million

	30 Sep. 17	30 Sep. 16	30 Sep. 17	30 Sep. 16
	PHASED-IN		*FULLY IMPLEMENTED*	
Own funds				
Common equity tier 1 (CET1)	5,062	4,669	4,423	3,570
Tier 1	5,062	4,669	4,491	3,583
Total Capital	**5,448**	**5,052**	4,813	3,914
Risk weighted assets	**38,306**	**38,287**	37,910	37,769
Solvency ratios				
CET1	13.2%	12.2%	11.7%	9.5%
Tier 1	13.2%	12.2%	11.8%	9.5%
Total capital	14.2%	13.2%	12.7%	10.4%

Notes:

The capital ratios of September 2017 are estimated and include the positive accumulated net income.

(1) Capital Requirements Directive IV / Capital Requirements Regulation (Directive 2013/36/EU and Regulation (EU) no. 575/2013).

(2) Supervisory Review and Evaluation Process.

Strategy

Vision, Mission and Strategy

BCP intends to be a reference Bank in customer service …

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

… whose mission is to create value for the Stakeholders …

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

… defining ambitious goals …

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

- CET1 (phased in) and CET1 (fully implemented) of around 11%;
- Balance sheet loan-to-deposit ratio under 100%;
- Cost-to-Core Income ratio under 50%;
- Cost-to-Income ratio under 43%;
- Cost of risk under 75 b.p.;
- ROE at around 10% (Based on fully implemented CET1).

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

… and who knows how to attain them.

In the recent past, Millennium bcp overcame challenging and demanding times. Its Employees worked hard to turn the bank into a reference in commercial banking in Portugal.

The country went through a Financial Assistance Programme, showing a weakened economy and a financial system with its credibility damaged. Customers became increasingly demanding.

The contraction in banking activity was enormous, interest rates stood at historically low levels, banking supervision was transferred to the European Central Bank and the Supervisor became more demanding and distant. Our competitors are currently adjusting to this environment and the Employees of Millennium bcp worked daily to transform the bank in order to ensure its sustainability.

The Bank adapted to the changes in the world and responded with innovation and the capacity to adapt to a new reality, bearing in mind at all times the way it wishes to exercise banking.

Banking with values in the daily relations with Customer, Shareholders, Employees and remaining Stakeholders.

Millennium bcp is and will increasingly be a bank that is:

Agile | Modern | Personal | Simple | Sustainable

These are the principles defining how each Employee of Millennium bcp must act in their relations with other Employees, Customers, Shareholders, remaining Stakeholders and with the Community and the Surrounding Environment at large.

STRATEGY

In September 2012, Millennium bcp presented a new 3-stage Strategic Plan, to be implemented by 2017 ("Strategic Plan"). The Strategic Plan was also updated in September 2013, following the approval of BCP's Restructuring Plan by the European Commission and in June 2013, after a share capital increase operation, its targets were also updated.

The three stages of the Strategic Plan are the following:

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

During the first stage 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.

- Stage 2 (2014 to 2015): Creation of conditions for growth and profitability

During the second stage 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 in Angola. The improvement in domestic profitability was expected to be mainly driven by: i) the increase in net interest income by reducing the cost of deposits and changing the credit mix, with a focus on products with better margins; ii) the continued focus on the optimisation of operating costs by reducing the number of employees and eliminating administrative overlap; and iii) the adoption of rigorous credit risk limits thus reducing the need for provisions.

- Stage 3 (2016 to 2017): Sustained growth

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

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

- Improving the balance sheet: The Bank intends to improve its capital ratios by cutting down RWAs through deleveraging, disposal or liquidation of non-core operations. The internal generation of share capital in the final stages of the Strategic Plan should also contribute to accrue capital. In addition, the disposal or liquidation of non-core operations and the incorporation of off balance sheet customer funds into balance sheet customer funds should improve the Bank's liquidity position by cutting down the commercial gap and the dependence on wholesale market funds. This improvement of the commercial gap and the increase in funding from public and private debt markets led to a decrease in the use of ECB funding. For the duration of the Strategic Plan, the Bank's management aims to continue to cut back on its ECB exposure by using a combination of initial deleveraging while keeping up the increase in deposits and the controlled expansion of credit.
- Better profitability of domestic operations: The Bank is carrying out the optimisation of its product mix and will continue to adjust the price of credit to better reflect each customer's risk profile, which should have a positive impact on the net interest income and on the cost of risk of the Portuguese operation. The Bank forecasts a better net interest income based on the continuous reduction in spreads since the beginning of 2013 until the period ended on 30 June 2017.
- Consolidation of the Bank's leadership position in the private sector retail market and the SME/companies banking market: The Bank adopted a new business model based on a new Customer base segmentation, the review made to the products and services that it offers and on the adjustments to its backoffice units and branch network. This business model is being put into place with a view to expanding the Bank's territorial coverage, increasing the Customer base and sales capacity and simultaneously decreasing operating costs. For retail clients, the strategy is to re-balance the portfolio mix of less profitable mortgage loans with more profitable loans. In terms of SME/companies, the focus will be on exporting companies. The Bank intends to ensure that profits are sustainable in the medium to long-term, seeking to be the best in class in terms of operational efficiency, on account of both income generation and cost management, simultaneously keeping a high control of credit risk while preserving its strategic position in the Portuguese banking market for retail and SMEs.

- International position: The Bank's international franchise is focused on the growing markets of Poland and Mozambique. In Poland, the Bank intends to continue to pursue customer acquisition, based on the existing branch network, on its comprehensive range of products and services and on the strength of the Bank's brand. Additionally, the Bank intends to continue to leverage its main franchise in the country by developing the branch network and offering new and innovative products and services to its customers.
- Risk Management: The Bank intends set up a new management control system for loans with highest probability of default, in addition to past due loans. The creation of a legacy portfolio, plus the Bank's stronger credit recovery abilities, should decrease, in general, the level of non-compliance, while simultaneously keeping the focus on the subscription of new loans with a risk profile that meets the Bank's Strategic Plan.
- Plan for the Reduction of NPEs: Several measures were put into place in the last few years with a positive impact on NPEs, namely the reinforcement of credit quality control by using and developing new valuation models, improving the governance model for risk management, covering NPEs by making provisions, the expected loss gap and the increase in collaterals to 100%, as of 30 September 2017, according to Millennium bcp's goal of getting NPEs down to under 7,500 million euros (7.2 billion euros recorded on 30 September 2017) by December 2017. The main measures of this plan include: speeding up write-offs; sale of credits, especially loans to companies with strong collaterals and loans to individuals unlikely to be recovered; avoid mortgage loans getting to judicial resolution and decreasing the time cases take to recover in the hands of law firms.

For the 2016-2018 triennial, the Bank put in place a set of strategic priorities for the operation in Portugal aiming to build a sustainable Bank adapted to the new needs of the market and its Customers. In 2017, the Bank accelerated the implementation of strategic initiatives, focusing on innovation and customer experience.

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

In relation to Millennium bcp's business model, 6 work fronts were adopted:

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

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

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

The new initiatives undertaken within the scope of the 2016-2018 Strategic Agenda can already be seen. Over 46% of Mass Market Branches and 67% of Prestige Branches had been redone by 30 September 2016. 35 branches have a new layout - the branch of the future, providing the perfect digital experience to customers and including the new Millennium Transaction Machines (MTM) that enable cashier transactions 24/7. In addition, the digital platforms have been improved and new tools were added, including online loan requests in the Millennium App, opening accounts online and a new app for company clients, helping them manage projects funded by EU grants. On the last Data E survey, Millennium bcp was considered the main Bank for Companies with funding from Portugal 2020.

Performance versus Strategic Plan

On 12 January 2017, the Bank confirmed its financial and operational business goals[1] for 2018 within the scope of the share capital increase operation concluded in February 2017, as follows:

Goal	9M2017	2018
CT1 / CET1[2]	Phased-in 13.2% Fully implemented: 11.7%	≈ 11%
Loans-to-Deposits	93%	<100%
Cost-Income	Stated: 43.6% Excluding extraordinary items: 45.1%	<43%
Cost-Core Income[3]	Stated: 45.8% Excluding extraordinary items: 47.3%	<50%
Cost of Risk	120 bp	<75 bp
RoE[4]	4.2%	≈ 10%

On 30 September 2017, the regulatory capital ratio Common Equity Tier I (CET1), in accordance with the phased-in and fully implemented criteria stood at 13.2% and 11.7%, respectively, both above the target for 2018 of around 11%. The loan-to-deposits liquidity ratio stood at 93%, complying with the objective defined for 2018 (<100%).

Cost-to-Core income stated (45.8%) and without extraordinary items (47.3%) are aligned with the target for 2018 (<50%). The Cost-to-Income ratio stated stood at 43.6%, during the first nine months of 2017, below the 43% defined as the maximum threshold for 2018, however, if we exclude the extraordinary items, this ratio is still slightly above the target (45.1%).

The cost of risk is still above the objective set forth for 2018 (120 bp vs target of <75 bp), although it showed a favourable performance versus the same period of 2016 due to the relevant decrease in impairment and provisions.

The profitability of the average equity balance stood at 4.2%, below the objective of approximately 10% defined for 2018, but also evidencing a positive performance versus the same period of 2016.

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

[2] Amounts estimated including the results of the 1st 9M 2017.

[3] Core income = net interest income + fees.

[4] Based on fully implemented CET1.

Regulatory Information

CONSOLIDATED INDICATORS, ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	Sep 17	Sep 16	Change	Sep 17	Sep 16	Change	Sep 17	Sep 16	Change
Income statement									
Net interest income	1,023.2	907.0	12.8%	591.8	543.0	9.0%	431.4	364.0	18.5%
Dividends from equity instruments	1.7	7.0	-75.8%	1.1	6.5	-83.3%	0.6	0.5	29.4%
Net fees and commission income	494.6	481.1	2.8%	337.7	343.2	-1.6%	157.0	138.0	13.8%
Other operating income	(97.0)	(96.3)	-0.7%	(53.7)	(47.0)	-14.3%	(43.3)	(49.4)	12.2%
Net trading income	115.0	212.5	-45.9%	69.3	88.4	-21.6%	45.7	124.1	-63.2%
Equity accounted earnings	56.8	60.6	-6.3%	32.4	50.6	-35.9%	24.4	10.0	142.8%
Net operating revenues	**1,594.3**	**1,571.9**	**1.4%**	**978.6**	**984.6**	**-0.6%**	**615.7**	**587.2**	**4.8%**
Staff costs	380.1	410.4	-7.4%	235.2	273.9	-14.1%	144.9	136.5	6.2%
Other administrative costs	274.8	274.9	-0.1%	164.1	169.5	-3.2%	110.7	105.4	5.0%
Depreciation	39.7	37.0	7.3%	24.5	21.2	15.4%	15.2	15.8	-3.5%
Operating costs	**694.6**	**722.4**	**-3.8%**	**423.8**	**464.7**	**-8.8%**	**270.8**	**257.7**	**5.1%**
Recurring operating costs (1)	**718.3**	**720.6**	**-0.3%**	**447.5**	**462.9**	**-3.3%**	**270.8**	**257.7**	**5.1%**
Operating profit before impairment and provisions	**899.7**	**849.5**	**5.9%**	**554.8**	**520.0**	**6.7%**	**344.9**	**329.6**	**4.7%**
Loans impairment (net of recoveries)	458.6	870.2	-47.3%	390.0	816.7	-52.3%	68.6	53.4	28.4%
Other impairment and provisions	169.9	242.8	-30.0%	168.5	234.2	-28.1%	1.4	8.6	-83.4%
Profit before income tax	**271.2**	**(263.5)**	**>200%**	**(3.6)**	**(531.0)**	**99.3%**	**274.8**	**267.5**	**2.8%**
Income tax	63.1	(68.2)	192.5%	(0.9)	(136.4)	99.3%	64.0	68.2	-6.1%
Income after income tax from continuing operations	**208.1**	**(195.3)**	**>200%**	**(2.7)**	**(394.6)**	**99.3%**	**210.8**	**199.3**	**5.8%**
Income arising from discontinued operations	1.3	45.2	-97.2%	-	-	-	-	36.8	-100.0%
Non-controlling interests	76.0	101.0	-24.7%	(3.5)	(0.3)	>200%	79.5	101.3	-21.5%
Net income	**133.3**	**(251.1)**	**153.1%**	**0.8**	**(394.3)**	**100.2%**	**131.3**	**134.8**	**-2.6%**
Balance sheet and activity indicators									
Total assets	**72,990**	**73,042**	**-0.1%**	**53,436**	**54,410**	**-1.8%**	**19,554**	**18,632**	**4.9%**
Total customer funds	**70,231**	**66,781**	**5.2%**	**51,493**	**49,294**	**4.5%**	**18,738**	**17,487**	**7.2%**
Balance sheet total customer funds	**52,265**	**50,576**	**3.3%**	**36,750**	**35,873**	**2.4%**	**15,515**	**14,703**	**5.5%**
Resources from customers	50,690	48,937	3.6%	35,281	34,334	2.8%	15,410	14,603	5.5%
Debt securities	1,575	1,638	-3.9%	1,469	1,539	-4.5%	105	100	5.6%
Off-balance sheet customer funds	**17,966**	**16,206**	**10.9%**	**14,743**	**13,422**	**9.8%**	**3,223**	**2,784**	**15.8%**
Assets under management and investment funds	8,354	7,505	11.3%	5,635	5,168	9.0%	2,719	2,337	16.4%
Capitalisation products	9,612	8,701	10.5%	9,108	8,254	10.3%	504	447	12.9%
Loans to customers (gross)	**50,754**	**52,610**	**-3.5%**	**37,947**	**40,291**	**-5.8%**	**12,807**	**12,319**	**4.0%**
Individuals	**27,174**	**28,346**	**-4.1%**	**19,217**	**20,375**	**-5.7%**	**7,957**	**7,971**	**-0.2%**
Mortgage	23,406	24,273	-3.6%	17,203	17,902	-3.9%	6,202	6,371	-2.6%
Consumer and others	3,768	4,074	-7.5%	2,013	2,473	-18.6%	1,755	1,600	9.7%
Companies	**23,580**	**24,263**	**-2.8%**	**18,730**	**19,916**	**-6.0%**	**4,850**	**4,347**	**11.6%**
Services	8,831	9,474	-6.8%	7,844	8,641	-9.2%	987	833	18.5%
Commerce	3,287	3,136	4.8%	2,231	2,164	3.1%	1,056	973	8.6%
Construction	2,624	3,063	-14.3%	2,294	2,756	-16.8%	330	307	7.6%
Other	8,838	8,590	2.9%	6,361	6,356	0.1%	2,476	2,235	10.8%
Credit quality									
Total overdue loans	3,216	3,914	-17.8%	2,868	3,615	-20.7%	349	299	16.6%
Overdue loans by more than 90 days	3,109	3,770	-17.5%	2,807	3,517	-20.2%	302	253	19.3%
Overdue loans by more than 90 days /Total loans	6.1%	7.2%		7.4%	8.7%		2.4%	2.1%	
Total impairment (balance sheet)	3,387	3,804	-11.0%	2,932	3,408	-14.0%	455	396	14.9%
Total impairment (balance sheet) /Total loans	6.7%	7.2%		7.7%	8.5%		3.6%	3.2%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	108.9%	100.9%		104.5%	96.9%		150.8%	156.5%	
Cost of risk (net of recoveries, in b.p.)	120	221		137	270		71	58	
Restructured loans / Total loans (2)	8.9%	10.1%							
Restructured loans not included in the credit at risk / Total loans (2)	4.9%	6.0%							
Cost-to-income (1)	45.1%	45.8%		45.7%	47.0%		44.0%	43.9%	

(1) Excludes the impact of specific items.

(2) According to Instruction from the Bank of Portugal no. 32/2013, as the currently existing version.

INDIVIDUAL/CONSOLIDATED QUARTERLY INFORMATION (Not Audited)
(Model applicable to companies subject to the Accounting Plan for Banks/Leasing/Factoring companies)

Company: Banco Comercial Português, S.A.

Main Offices: Praça D. João I, 28 - 4000-295 Porto NIPC: 501 525 882

Period of Reference: Reference values in 000Esc ☐ in Euros ☒

Quarter 1 ☐ Quarter 3 ☒ Quarter 5 [1] ☐ Start: 01/01/2017 End: 30/09/2017

Balance Sheet Items	Individual			Consolidated		
	n (IAS)	n-1 (IAS)	Var. (%)	n (IAS)	n-1 (IAS)	Var. (%)
ASSETS (NET)						
Loans to other credit institutions [2]	2,296,014,143	2,377,400,388	-3.42%	1,918,702,006	2,050,001,475	-6.40%
Loans to clients	33,188,752,794	34,822,383,011	-4.69%	47,367,178,384	48,805,818,462	-2.95%
Fixed income securities	6,712,859,932	4,940,279,838	35.88%	11,555,585,373	10,151,460,080	13.83%
Variable yield securities	2,764,813,715	2,892,862,561	-4.43%	1,931,274,208	2,200,536,167	-12.24%
Investments	3,358,302,959	3,593,134,362	-6.54%	612,806,692	574,626,228	6.64%
SHAREHOLDER'S AND EQUIVALENT EQUITY						
Equity Capital	5,600,738,054	4,094,235,362	36.80%	5,600,738,054	4,094,235,362	36.80%
Nº of ordinary shares	15,113,989,952	59,039,023,275	-	15,113,989,952	59,039,023,275	-
Nº of other shares	0	0	-	0	0	-
Value of own shares	0	0	-	79,413	3,105,909	-97.44%
Nº of voting shares	0	0	-	323,738	201,682,429	-
Nº of preferred, non voting shares	0	0	-			-
Subordinate loans	718,791,226	1,555,791,945	-53.80%	858,167,347	1,682,859,908	-49.01%
Minority interests	0	0	-	1,006,169,414	872,022,127	15.38%
LIABILITIES						
Amounts owed to credit institutions	9,814,529,211	11,061,893,463	-11.28%	9,185,514,468	11,302,736,544	-18.73%
Amounts owed to clients	35,149,261,373	34,622,097,422	1.52%	50,690,359,477	48,937,144,348	3.58%
Debt securities	2,457,855,276	3,141,874,860	-21.77%	3,096,180,907	3,919,170,458	-21.00%
TOTAL ASSETS (NET)	55,522,129,071	55,940,579,320	-0.75%	72,989,729,969	73,041,598,316	-0.07%
TOTAL SHAREHOLDER'S EQUITY	5,881,641,347	4,078,811,433	44.20%	6,051,878,902	4,076,340,451	48.46%
TOTAL LIABILITIES	49,640,487,724	51,861,767,887	-4.28%	65,931,681,653	68,093,235,738	-3.17%

P & L Items	Individual			Consolidated		
	n	n-1	Var. (%)	n	n-1	Var. (%)
Financial margin [3]	580,251,993	534,026,450	8.66%	1,023,201,728	906,987,145	12.81%
Commissions and other oper. revenue (net)	299,717,035	308,323,478	-2.79%	398,869,949	430,042,888	-7.25%
Securities yield and profits from financial transact	115,678,389	-3,396,711	-3505.60%	68,200,033	40,823,712	67.06%
Banking Income	995,647,417	838,953,217	18.68%	1,490,271,710	1,377,853,745	8.16%
Personnel, administ. and other costs	-404,268,118	-450,165,421	-10.20%	-654,882,110	-685,354,106	-4.45%
Amortizations	-21,356,689	-18,028,542	18.46%	-39,714,829	-37,001,081	7.33%
Provisions (net of adjustments)	-597,916,271	-825,954,323	-27.61%	-580,017,830	-934,366,341	-37.92%
Extraordinary profit	0	0	n.a.	0	0	n.a.
Profit before taxes	-27,893,661	-455,195,069	-93.87%	215,656,941	-278,867,783	-177.33%
Income tax [4]	217,519	159,787,416	-99.86%	-63,110,815	68,212,554	-192.52%
Minority interests and income excluded from cons	0	0	-	-19,236,977	-40,424,805	-52.41%
Net profit / loss for the quarter	-27,676,142	-295,407,653	-90.63%	133,309,149	-251,080,034	-153.09%
Net profit / loss per share for the quarter	-0.0018	-0.0050	-63.40%	0.0088	-0.0043	-307.40%
Self financing [5]	591,596,818	548,575,212	7.84%	753,041,808	720,287,388	4.55%

[1] Aplicable to the first economic period of companies adopting a fiscal year different from the calendar year (Art.65.º - A of the Portuguese Commercial Company Code)

[2] Includes repayable on demand to credit institutions

[3] Financial margin = Interest income - Interest expense

[4] Estimated income tax

[5] Self financing = Net profits + amortization + provision

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statements
for the nine months periods ended 30 September 2017 and 2016

	30 September 2017	30 September 2016
	(Thousands of Euros)	
Interest and similar income	1,431,812	1,429,522
Interest expense and similar charges	(408,610)	(522,534)
Net interest income	1,023,202	906,988
Dividends from equity instruments	1,686	6,961
Net fees and commission income	494,640	481,146
Net gains / (losses) arising from trading and hedging activities	70,651	85,719
Net gains / (losses) arising from available for sale financial assets	44,348	126,794
Net gains from insurance activity	3,668	2,499
Other operating income / (costs)	(102,147)	(94,586)
Total operating income	1,536,048	1,515,521
Staff costs	380,118	410,409
Other administrative costs	274,764	274,946
Depreciation	39,715	37,001
Operating costs	694,597	722,356
Operating net income before provisions and impairments	841,451	793,165
Loans impairment	(458,594)	(870,188)
Other financial assets impairment	(48,485)	(178,650)
Other assets impairment	(94,036)	(35,145)
Goodwill impairment for subsidiaries	(4)	(10,097)
Goodwill impairment for associated companies	(9,006)	-
Other provisions	(18,378)	(18,937)
Operating net income	212,948	(319,852)
Share of profit of associates under the equity method	56,791	60,608
Gains / (losses) from the sale of subsidiaries and other assets	1,459	(4,243)
Net (loss) / income before income tax	271,198	(263,487)
Income tax		
Current	(82,831)	(76,537)
Deferred	19,720	144,750
Net (loss) / income after income tax from continuing operati	208,087	(195,274)
Income arising from discontinued operations	1,250	45,227
Net income after income tax	209,337	(150,047)
Attributable to:		
Shareholders of the Bank	133,309	(251,080)
Non-controlling interests	76,028	101,033
Net income for the period	209,337	(150,047)
Earnings per share (in euros)		
Basic	0.014	(0.278)
Diluted	0.014	(0.278)

BANCO COMERCIAL PORTUGUÊS

Condensed Consolidated Balance Sheet as at 30 September 2017 and 2016 and 31 December 2016

	30 September 2017	31 December 2016	30 September 2016
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2,144,795	1,573,912	2,618,275
Loans and advances to credit institutions			
Repayable on demand	1,113,371	448,225	421,850
Other loans and advances	805,331	1,056,701	1,628,151
Loans and advances to customers	47,367,178	48,017,602	48,805,818
Financial assets held for trading	922,677	1,048,797	1,090,767
Other financial assets held for trading at fair value through profit or loss	142,253	146,664	145,605
Financial assets available for sale	11,914,693	10,596,273	10,680,030
Assets with repurchase agreement	70,959	20,525	19,983
Hedging derivatives	165,322	57,038	106,115
Financial assets held to maturity	436,278	511,181	415,611
Investments in associated companies	612,807	598,866	574,626
Non current assets held for sale	2,286,122	2,250,159	2,112,762
Investment property	14,234	12,692	61,929
Other tangible assets	478,975	473,866	463,459
Goodwill and intangible assets	164,560	162,106	188,823
Current tax assets	7,583	17,465	35,011
Deferred tax assets	3,135,169	3,184,925	2,790,693
Other assets	1,207,424	1,087,814	882,088
	72,989,731	71,264,811	73,041,596
Liabilities			
Resources from credit institutions	9,185,514	9,938,395	11,302,736
Resources from customers	50,690,359	48,797,647	48,937,144
Debt securities issued	3,096,181	3,512,820	3,919,170
Financial liabilities held for trading	461,806	547,587	610,479
Hedging derivatives	216,295	383,992	383,149
Provisions	340,989	321,050	279,997
Subordinated debt	858,167	1,544,555	1,682,860
Current tax liabilities	8,835	35,367	5,508
Deferred tax liabilities	2,235	2,689	2,151
Other liabilities	1,071,302	915,528	970,040
Total Liabilities	65,931,683	65,999,630	68,093,234
Equity			
Share capital	5,600,738	4,268,818	4,094,235
Treasury shares	(282)	(2,880)	(3,106)
Share premium	16,471	16,471	16,471
Preference shares	59,910	59,910	59,910
Other capital instruments	2,922	2,922	2,922
Legal and statutory reserves	252,806	245,875	245,875
Fair value reserves	44,033	(130,632)	(66,067)
Reserves and retained earnings	(58,028)	(102,306)	(22,820)
Net income for the period attributable to Shareholders	133,309	23,938	(251,080)
Total Equity attributable to Shareholders of the Bank	6,051,879	4,382,116	4,076,340
Non-controlling interests	1,006,169	883,065	872,022
Total Equity	7,058,048	5,265,181	4,948,362
	72,989,731	71,264,811	73,041,596

GLOSSARY

Balance sheet total customer funds - debt securities and customer deposits.

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

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

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

Core net income - corresponding to net interest income plus net fees and commission income deducted from operating costs.

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

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

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

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

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

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

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

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

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

Credit at risk (net) ratio – credit at risk (net) divided by loans to customers deducted from total BS impairments accumulated for risks of credit.

Credit at risk ratio - credit at risk divided by loans to customers (gross).

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

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

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

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

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

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

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

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

Non-performing exposures (NPE, according to EBA definition) – Non-performing loans and advances to customers more than 90 days past-due or unlikely to be paid without collateral realisation, even if they recognised as defaulted or impaired. Considers also all the exposures if the on-BS 90 days past due reaches 20% of the outstanding amount of total on-BS exposure of the debtor, even if no pull effect is used for default or impairment classification. Includes also the loans in quarantine period over which the debtor has to prove its ability to meet the restructured conditions, even if forbearance has led to the exit form default or impairments classes.

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

Non-performing loans ratio – Loans more than 90 days overdue and doubtful loans reclassified as overdue for provisioning purposes divided by total loans (gross).

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

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

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

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

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

Overdue and doubtful loans (net) - overdue and doubtful loans deducted from BS impairments accumulated for risks of credit.

Overdue and doubtful loans (net) ratio - overdue loans and doubtful loans (net) divided by loans to customers deducted from total BS impairments accumulated for risks of credit.

Overdue and doubtful loans coverage by BS impairments - BS impairments accumulated for risks of credit divided by overdue loans and doubtful loans (gross).

Overdue and doubtful loans ratio - overdue and doubtful loans divided by loans to customers (gross).

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

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

Overdue loans coverage ratio – total BS impairments accumulated for risks of credit divided by total amount of overdue loans.

Return on average assets (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average total assets.

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

Return on equity (Instruction from the Bank of Portugal no. 16/2004) – Net income (before tax) divided by the average attributable equity + non-controlling interests.

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

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

Spread - increase (in percentage points) to the index used by the Bank in loans granting or fund raising.

Total customer funds - balance sheet customer funds, capitalisation products, assets under management and investment funds.

Consolidated Financial Statements and Notes to the Consolidated Financial Statements for the nine months ended 30 September 2017

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statements
for the nine months periods ended 30 September 2017 and 2016

	Notes	30 September 2017	30 September 2016
		(Thousands of Euros)	
Interest and similar income	3	1,431,812	1,429,522
Interest expense and similar charges	3	(408,610)	(522,534)
Net interest income		1,023,202	906,988
Dividends from equity instruments	4	1,686	6,961
Net fees and commissions income	5	494,640	481,146
Net gains / (losses) arising from trading and hedging activities	6	70,651	85,719
Net gains / (losses) arising from financial assets available for sale	7	44,348	126,794
Net gains from insurance activity		3,668	2,499
Other operating income / (costs)	8	(102,147)	(94,586)
Total operating income		1,536,048	1,515,521
Staff costs	9	380,118	410,409
Other administrative costs	10	274,764	274,946
Amortizations and depreciations	11	39,715	37,001
Total operating expenses		694,597	722,356
Operating net income before provisions and impairments		841,451	793,165
Loans impairment	12	(458,594)	(870,188)
Other financial assets impairment	13	(48,485)	(178,650)
Other assets impairment	27 and 32	(94,036)	(35,145)
Goodwill impairment of subsidiaries		(4)	(10,097)
Goodwill impairment of associated companies		(9,006)	-
Other provisions	14	(18,378)	(18,937)
Net operating income / (loss)		212,948	(319,852)
Share of profit of associates under the equity method	15	56,791	60,608
Gains / (losses) arising from sales of subsidiaries and other assets	16	1,459	(4,243)
Net income / (loss) before income taxes		271,198	(263,487)
Income taxes			
Current	31	(82,831)	(76,537)
Deferred	31	19,720	144,750
Income / (loss) after income taxes from continuing operations		208,087	(195,274)
Income arising from discontinued or discontinuing operations	17	1,250	45,227
Net income / (loss) after income taxes		209,337	(150,047)
Net income / (loss) for the period attributable to:			
Bank's Shareholders		133,309	(251,080)
Non-controlling interests	44	76,028	101,033
Net income / (loss) for the period		209,337	(150,047)
Earnings per share (in Euros)			
Basic	18	0.014	(0.278)
Diluted	18	0.014	(0.278)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statements of Comprehensive Income
for the nine months periods ended 30 September 2017 and 2016

	30 September 2017							(Thousands of Euros)	
	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
Net income / (loss) for the period	271,198	(63,111)	208,087	1,250	-	1,250	209,337	133,309	76,028
Items that may be reclassified to the income statement									
Fair value reserves	253,988	(60,922)	193,066	-	-	-	193,066	174,665	18,401
Exchange differences arising on consolidation	23,635	-	23,635	-	-	-	23,635	(708)	24,343
	277,623	(60,922)	216,701	-	-	-	216,701	173,957	42,744
Items that will not be reclassified to the income statement									
Actuarial gains for the period									
BCP Group Pensions Fund	74,664	(7,773)	66,891	-	-	-	66,891	66,891	-
Pension Fund - other associated companies	(2,658)	-	(2,658)	-	-	-	(2,658)	(2,658)	-
	72,006	(7,773)	64,233	-	-	-	64,233	64,233	-
Other comprehensive income / (loss) for the period	349,629	(68,695)	280,934	-	-	-	280,934	238,190	42,744
Total comprehensive income / (loss) for the period	620,827	(131,806)	489,021	1,250	-	1,250	490,271	371,499	118,772

	30 September 2016							(Thousands of Euros)	
	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
Net income / (loss) for the period	(263,487)	68,213	(195,274)	50,355	(5,128)	45,227	(150,047)	(251,080)	101,033
Items that may be reclassified to the income statement									
Fair value reserves	(144,762)	38,311	(106,451)	(4,316)	1,295	(3,021)	(109,472)	(89,317)	(20,155)
Exchange differences arising on consolidation	(182,217)	-	(182,217)	80,575	-	80,575	(101,642)	(73,842)	(27,800)
	(326,979)	38,311	(288,668)	76,259	1,295	77,554	(211,114)	(163,159)	(47,955)
Items that will not be reclassified to the income statement									
Actuarial losses for the period									
BCP Group Pensions Fund	(180,261)	49,560	(130,701)	-	-	-	(130,701)	(130,701)	-
Pension Fund - other associated companies	223	-	223	-	-	-	223	223	-
	(180,038)	49,560	(130,478)	-	-	-	(130,478)	(130,478)	-
Other comprehensive income / (loss) for the period	(507,017)	87,871	(419,146)	76,259	1,295	77,554	(341,592)	(293,637)	(47,955)
Total comprehensive income / (loss) for the period	(770,504)	156,084	(614,420)	126,614	(3,833)	122,781	(491,639)	(544,717)	53,078

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statement
for the three month period between 1 July and 30 September 2017 and 2016

	Third quarter 2017	Third quarter 2016
	(Thousands of Euros)	
Interest and similar income	475,230	464,046
Interest expense and similar charges	(130,527)	(157,862)
Net interest income	344,703	306,184
Dividends from equity instruments	81	1,157
Net fees and commissions income	164,316	160,815
Net gains / (losses) arising from trading and hedging activities	12,055	11,155
Net gains / (losses) arising from financial assets available for sale	13,040	18,535
Net gains from insurance activity	955	(249)
Other operating income / (costs)	(16,278)	(8,258)
Total operating income	518,872	489,339
Staff costs	138,638	136,723
Other administrative costs	92,155	90,061
Amortizations	13,596	11,521
Total operating expenses	244,389	238,305
Operating net income before provisions and impairments	274,483	251,034
Loans impairment	(153,604)	(251,510)
Other financial assets impairment	(16,559)	(6,654)
Other assets impairment	(32,769)	(21,174)
Goodwill impairment of subsidiaries	-	(7,585)
Other provisions	(10,269)	(9,465)
Operating net income / (loss)	61,282	(45,354)
Share of profit of associates under the equity method	21,687	22,892
Gains / (losses) arising from the sale of subsidiaries and other assets	4,925	237
Net income / (loss) before income taxes	87,894	(22,225)
Income taxes		
Current	(28,283)	(20,090)
Deferred	8,611	10,002
Net income / (loss) after income taxes	68,222	(32,313)
Net income / (loss) for the period attributable to:		
Bank's Shareholders	43,381	(53,829)
Non-controlling interests	24,841	21,516
Net income / (loss) for the period	68,222	(32,313)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Comprehensive Income
for the three month period between 1 July and 30 September 2017 and 2016

Third quarter 2017 **(Thousands of Euros)**

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
Net income / (loss) for the period	87,894	(19,672)	68,222	-	-	-	68,222	43,381	24,841
Items that may be reclassified to the income statement									
Fair value reserves	102,304	(26,621)	75,683	-	-	-	75,683	67,295	8,388
Exchange differences arising on consolidation	(45,131)	-	(45,131)	-	-	-	(45,131)	(23,111)	(22,020)
	57,173	(26,621)	30,552	-	-	-	30,552	44,184	(13,632)
Items that will not be reclassified to the income statement									
Actuarial gains for the period									
BCP Group Pensions Fund	28,740	(3,807)	24,933	-	-	-	24,933	24,933	-
Pension Fund - other associated companies	(763)	-	(763)	-	-	-	(763)	(763)	-
	27,977	(3,807)	24,170	-	-	-	24,170	24,170	-
Other comprehensive income / (loss) for the period	85,150	(30,428)	54,722	-	-	-	54,722	68,354	(13,632)
Total comprehensive income / (loss) for the period	173,044	(50,100)	122,944	-	-	-	122,944	111,735	11,209

Third quarter 2016 **(Thousands of Euros)**

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Bank's Shareholders	Non-controlling interests
Net income / (loss) for the period	(22,225)	(10,088)	(32,313)	-	-	-	(32,313)	(53,829)	21,516
Items that may be reclassified to the income statement									
Fair value reserves	(24,842)	8,978	(15,864)	586	(176)	410	(15,454)	(13,945)	(1,509)
Exchange differences arising on consolidation	(22,175)	-	(22,175)	-	-	-	(22,175)	(26,192)	4,017
	(47,017)	8,978	(38,039)	586	(176)	410	(37,629)	(40,137)	2,508
Items that will not be reclassified to the income statement									
Actuarial losses for the period									
BCP Group Pensions Fund	8,726	2,644	11,370	-	-	-	11,370	11,370	-
Pension Fund - other associated companies	-	-	-	-	-	-	-	-	-
	8,726	2,644	11,370	-	-	-	11,370	11,370	-
Other comprehensive income / (loss) for the period	(38,291)	11,622	(26,669)	586	(176)	410	(26,259)	(28,767)	2,508
Total comprehensive income / (loss) for the period	(60,516)	1,534	(58,982)	586	(176)	410	(58,572)	(82,596)	24,024

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Condensed Consolidated Balance Sheet as at 30 September 2017 and 31 December 2016

	Notes	30 September 2017	31 December 2016
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	19	2,144,795	1,573,912
Loans and advances to credit institutions			
Repayable on demand	20	1,113,371	448,225
Other loans and advances	21	805,331	1,056,701
Loans and advances to customers	22	47,367,178	48,017,602
Financial assets held for trading	23	922,677	1,048,797
Other financial assets held for trading			
at fair value through profit or loss	23	142,253	146,664
Financial assets available for sale	23	11,914,693	10,596,273
Assets with repurchase agreement		70,959	20,525
Hedging derivatives	24	165,322	57,038
Financial assets held to maturity	25	436,278	511,181
Investments in associated companies	26	612,807	598,866
Non-current assets held for sale	27	2,286,122	2,250,159
Investment property	28	14,234	12,692
Other tangible assets	29	478,975	473,866
Goodwill and intangible assets	30	164,560	162,106
Current tax assets		7,583	17,465
Deferred tax assets	31	3,135,169	3,184,925
Other assets	32	1,207,424	1,087,814
Total Assets		72,989,731	71,264,811
Liabilities			
Resources from credit institutions	33	9,185,514	9,938,395
Resources from customers	34	50,690,359	48,797,647
Debt securities issued	35	3,096,181	3,512,820
Financial liabilities held for trading	36	461,806	547,587
Hedging derivatives	24	216,295	383,992
Provisions	37	340,989	321,050
Subordinated debt	38	858,167	1,544,555
Current tax liabilities		8,835	35,367
Deferred tax liabilities	31	2,235	2,689
Other liabilities	39	1,071,302	915,528
Total Liabilities		65,931,683	65,999,630
Equity			
Share capital	40	5,600,738	4,268,818
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	252,806	245,875
Treasury shares	42	(282)	(2,880)
Fair value reserves	43	44,033	(130,632)
Reserves and retained earnings	43	(58,028)	(102,306)
Net income for the period attributable to Shareholders		133,309	23,938
Total Equity attributable to Bank's Shareholders		6,051,879	4,382,116
Non-controlling interests	44	1,006,169	883,065
Total Equity		7,058,048	5,265,181
		72,989,731	71,264,811

CHIEF ACCOUNTANT THE EXECUTIVE COMMITTEE

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Cash Flows
for the nine months periods ended 30 September 2017 and 2016

	30 September 2017	30 September 2016
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interests received	1,252,499	1,324,670
Commissions received	617,500	575,190
Fees received from services rendered	99,792	49,735
Interests paid	(390,343)	(489,945)
Commissions paid	(103,287)	(73,720)
Recoveries on loans previously written off	12,920	25,500
Net earned insurance premiums	14,998	11,520
Claims incurred of insurance activity	(7,938)	(6,772)
Payments to suppliers and employees	(817,231)	(833,045)
Income taxes (paid) / received	(95,535)	(58,403)
	583,375	524,730
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	238,346	(688,820)
Deposits held with purpose of monetary control	12,411	69,286
Loans and advances to customers receivable	183,096	1,273,178
Short term trading account securities	(17,778)	(18,745)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	(6,108)	174,545
Deposits from credit institutions with agreed maturity date	(745,060)	2,588,895
Deposits from clients repayable on demand	2,537,146	1,371,347
Deposits from clients with agreed maturity date	(575,763)	(2,238,716)
	2,209,665	3,055,700
Cash flows arising from investing activities		
Sale of shares in subsidiaries and associated companies which results loss control (*)	-	(496,178)
Acquisition of shares in subsidiaries and associated companies	(787)	-
Dividends received	48,790	18,005
Interest income from available for sale financial assets and held to maturity financial assets	186,094	159,637
Sale of available for sale financial assets and held to maturity financial assets	4,727,819	4,672,666
Acquisition of available for sale financial assets and held to maturity financial assets	(26,065,135)	(24,182,666)
Maturity of available for sale financial assets and held to maturity financial assets	20,495,207	18,433,586
Acquisition of tangible and intangible assets	(52,981)	(45,527)
Sale of tangible and intangible assets	6,118	7,352
Decrease / (increase) in other sundry assets	(278,583)	176,447
	(933,458)	(1,256,678)
Cash flows arising from financing activities		
Issuance of subordinated debt	5,127	1,434
Reimbursement of subordinated debt	(702,204)	(166)
Issuance of debt securities	1,291,240	130,495
Reimbursement of debt securities	(1,831,593)	(1,042,635)
Issuance of commercial paper and other securities	141,201	57,588
Reimbursement of commercial paper and other securities	(3,957)	(19,202)
Share capital increase	1,294,903	-
Dividends paid to non-controlling interests	(7,787)	(20,907)
Increase / (decrease) in other sundry liabilities and non-controlling interests	(250,743)	(380,592)
	(63,813)	(1,273,985)
Exchange differences effect on cash and equivalents	23,635	(101,642)
Net changes in cash and equivalents	1,236,029	423,395
Cash (note 19)	540,290	625,311
Deposits at Central Banks (note 19)	1,033,622	1,215,006
Loans and advances to credit institutions repayable on demand (note 20)	448,225	776,413
Cash and equivalents at the beginning of the year	2,022,137	2,616,730
Cash (note 19)	479,270	487,526
Deposits at Central Banks (note 19)	1,665,525	2,130,749
Loans and advances to credit institutions repayable on demand (note 20)	1,113,371	421,850
Cash and equivalents at the end of the period	3,258,166	3,040,125

(*) As in 2016 the Banco Millennium Angola, S.A. started to be considered as discontinuing operation, the related values net of intercompany operations, were incorporated in cash flows arising from investing activities.

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the nine months period ended 30 September 2017

(Thousands of Euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value reserves	Reserves and retained earnings	Net (loss) / income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
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
Net income for the period	-	-	-	-	-	-	-	-	133,309	133,309	76,028	209,337
Fair value reserves (note 43)	-	-	-	-	-	-	174,665	-	-	174,665	18,401	193,066
Actuarial gains	-	-	-	-	-	-	-	64,233	-	64,233	-	64,233
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(708)	-	(708)	24,343	23,635
Total comprehensive income	-	-	-	-	-	-	174,665	63,525	133,309	371,499	118,772	490,271
Transfers of reserves:												
Legal reserve (note 41)	-	-	-	-	6,931	-	-	-	(6,931)	-	-	-
Results application	-	-	-	-	-	-	-	17,007	(17,007)	-	-	-
Share capital increase (note 40)	1,331,920	-	-	-	-	-	-	-	-	1,331,920	-	1,331,920
Costs related to the share capital increase	-	-	-	-	-	-	-	(37,017)	-	(37,017)	-	(37,017)
Dividends (a)	-	-	-	-	-	-	-	-	-	-	(7,787)	(7,787)
Treasury shares (note 42)	-	-	-	-	-	2,598	-	1,084	-	3,682	-	3,682
Other reserves (note 43)	-	-	-	-	-	-	-	(321)	-	(321)	12,119	11,798
Balance as at 30 September 2017	5,600,738	16,471	59,910	2,922	252,806	(282)	44,033	(58,028)	133,309	6,051,879	1,006,169	7,058,048

(a) Dividends of BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the periods ended 30 September 2016 and 31 December 2016

(Thousands of Euros)

	Share capital	Share premium	Preference shares	Other equity instruments	Legal and statutory reserves	Treasury shares	Fair value reserves	Reserves and retained earnings	Net (loss) / income for the period attributable to Bank's Shareholders	Equity attributable to Bank's Shareholders	Non--controlling interests (note 44)	Total equity
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 period	-	-	-	-	-	-	-	-	(251,080)	(251,080)	101,033	(150,047)
Fair value reserves (note 43)	-	-	-	-	-	-	(87,598)	-	-	(87,598)	(18,443)	(106,041)
Actuarial losses	-	-	-	-	-	-	-	(130,478)	-	(130,478)	-	(130,478)
Efect in fair value reserves related to the merger (a)	-	-	-	-	-	-	(1,719)	-	-	(1,719)	(1,712)	(3,431)
Efect in reserves of the exchange differences arising on consolidation related to the merger (a)	-	-	-	-	-	-	-	78,554	-	78,554	78,240	156,794
Exchange differences arising on consolidation	-	-	-	-	-	-	-	(152,396)	-	(152,396)	(106,040)	(258,436)
Total comprehensive income	-	-	-	-	-	-	(89,317)	(204,320)	(251,080)	(544,717)	53,078	(491,639)
Transfers of reserves:												
Legal reserve	-	-	-	-	22,605	-	-	-	(22,605)	-	-	-
Results application	-	-	-	-	-	-	-	212,739	(212,739)	-	-	-
Costs related to the share capital increase	-	-	-	-	-	-	-	25	-	25	-	25
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	-	-	-	-	-	-	-	(210,395)	(210,395)
Dividends (b)	-	-	-	-	-	-	-	-	-	-	(20,907)	(20,907)
Treasury shares	-	-	-	-	-	(1,919)	-	1	-	(1,918)	-	(1,918)
Other reserves	-	-	-	-	-	-	-	(214)	-	(214)	(7,156)	(7,370)
Balance as at 30 September 2016	4,094,235	16,471	59,910	2,922	245,875	(3,106)	(66,067)	(22,820)	(251,080)	4,076,340	872,022	4,948,362
Net income for the period	-	-	-	-	-	-	-	-	275,018	275,018	20,844	295,862
Fair value reserves (note 43)	-	-	-	-	-	-	(64,565)	-	-	(64,565)	(7,468)	(72,033)
Actuarial losses	-	-	-	-	-	-	-	(103,657)	-	(103,657)	(341)	(103,998)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	31,580	-	31,580	(2,046)	29,534
Total comprehensive income	-	-	-	-	-	-	(64,565)	(72,077)	275,018	138,376	10,989	149,365
Increase in capital (note 40)	174,583	-	-	-	-	-	-	-	-	174,583	-	174,583
Regrouping of shares	-	-	-	-	-	-	-	(1,047)	-	(1,047)	-	(1,047)
Costs related to the share capital increase	-	-	-	-	-	-	-	(6,462)	-	(6,462)	-	(6,462)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	1,357	-	1,357	-	1,357
Treasury shares	-	-	-	-	-	226	-	-	-	226	-	226
Other reserves	-	-	-	-	-	-	-	(1,257)	-	(1,257)	54	(1,203)
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 merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.
(b) Dividends of Banco Millennium Angola S.A., BIM - Banco Internacional de Moçambique, S.A. and SIM - Seguradora Internacional de Moçambique, S.A.R.L.

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 nine months ended 30 September 2017 and 2016.

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 31 October 2017 by the Bank's Executive Committee. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

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

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

The interim condensed consolidated financial statements, for the nine month period ended 30 September 2017, were prepared in terms of recognition and measurement in accordance with the IAS 34 - Interim Financial Reporting adopted by the EU and therefore it does not include all the information required in accordance with IFRS adopted by the EU. Consequently, the adequate comprehension of the interim condensed consolidated financial statements requires that it should be reading with the consolidated financial statements with reference to 31 December 2016.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2017. The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial assets available for sale, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are covered 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 registered in the Group's asset 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 presented in note 51.

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 in item "Reserves and retained earnings". 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, and it is used a monthly average taking into account the initial and final exchange rate of each month. 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 and retained earnings - exchange differences resulting from the consolidation of Group's companies.

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;
- 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 credits value 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 and liabilities 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 (note 6).

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

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 (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, as the residual notes of the referred operations were sold to institutional investors and consequently, the risks and the benefits were substantially transferred.

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 operation started on 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 on 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 hedged 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 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 (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 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 Group 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 classified 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 with 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 or group of assets are available for immediate sale and its sale is highly probable. In order for the sale 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 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 improbability of significant changes in the plan or of the plan to be withdrawn.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable. Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the 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 external valuation experts properly accredited, according to the periodicity defined in the Bank's regulations. 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.

For 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 from the Bank's financial statements 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 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)

The caption 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 tangible 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) (note 8).

The experts 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 period 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 two 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 to the 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 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.

This change has led to a decrease in the present value of the total benefits reported to the retirement age to be borne by the Pension Fund, and this effect is to be recorded in a linear way during the average lifetime of the pension until the normal retirement age is reached.

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 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 two unions representive of 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. The new ACT has already been published by the Ministry of Labor in Bulletin of Labor and Employment, and their effects were recorded in the financial statements of 31 December 2016, for employees associated with these two unions..

The negotiation with the " Sindicato dos Bancários do Norte”" ("SBN"), which was also involved in the negotiations of the new ACT, was concluded in April 2017 with the publication of the Bulletin of Labor and Employment, with the effects of this new ACT recorded in the financial statements as at 30 September 2017, for 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, and the subsequent update of a further month for each year, at the beginning of each calendar year,and can not, in any case, be higher than which it is in force at any moment in the General Regime of Social Security, the change in the formula for determining the employer's contribution to the SAMS and a new benefit called the End of career premium that replaces the Seniority premium.

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 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.

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 retirement's 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 30 September 2017, 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 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the 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 30 September 2017 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, in the balance "Share of profit of associates under the equity method".

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 period 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 receipt 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, to apply judgments and to 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 Group's Income Statement.

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.

Regarding the activity in Portugal, the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2017 are not defined, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2016 and the regime that will be effective as at 1 January 2017 has not yet been defined. In this context, the Executive Committee is considering, for the purpose of calculating taxable income and the deferred tax recording with reference to 30 September 2017, that the impairment of the credit and guarantees recorded which is deductible for IRC purpose is limited to the amount of the deductible provisions that would have been verified if the Bank of Portugal Notice No. 3/95 still remained in force.

In the projections of future taxable income, the Bank considered the approximation between the tax rules and the accounting rules underlying a draft bill amending the article 28-C of the IRC Code which was publicly referred to by the Secretary of State of Fiscal Issues in functions until 13 July 2017, under the terms described in note 31, since it is considered that a diploma is likely to be approved without substantial changes in relation to referred draft bill.

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 registered at the CMVM, 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, mortality table, 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 results from the ones reported.

vii) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying some of its non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale with its consequently fair value measure and not at the amortization cost. The investments would therefore be measured at fair value instead of amortised cost. Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact in profit and loss of the Group.

viii) Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it is exposed to, or has rights to, the variable returns from its involvement with the entity and it is able to take possession of those results through the power it holds (de facto control). The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns. Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in consolidated income.

ix) Goodwill impairment

The recoverable amount of the goodwill recorded in the Group's asset is assessed annually in the preparation of accounts with reference to the end of the year or whenever there are indications of eventual loss of value. For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

ae) Subsequent events

Events occurring after the date of the statement of financial position that provide information on situations occurring after that date, if significant, are disclosed in the notes to the consolidated financial statements.

2. Net interest income, net gains arising from trading and hedging activities and from financial assets available for sale

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

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Net interest income (note 3)	1,023,202	906,988
Net gains from trading and hedging assets (note 6)	70,651	85,719
Net gains from financial assets available for sale (note 7)	44,348	126,794
	1,138,201	1,119,501

3. Net interest income

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Interest and similar income		
Interest on loans	1,140,158	1,157,616
Interest on trading securities	3,758	5,051
Interest on other financial assets valued at fair value through profit or loss account	2,585	2,777
Interest on available for sale financial assets	172,070	151,341
Interest on held to maturity financial assets	13,319	6,790
Interest on hedging derivatives	67,523	74,513
Interest on derivatives associated to financial instruments through profit or loss	7,468	10,086
Interest on deposits and other investments	24,931	21,348
	1,431,812	1,429,522
Interest expense and similar charges		
Interest on deposits and other resources	(276,201)	(297,982)
Interest on securities issued	(64,458)	(110,974)
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	(6,343)	(49,146)
Others	(42,507)	(42,698)
Interest on hedging derivatives	(15,506)	(12,045)
Interest on derivatives associated to financial instruments through profit or loss	(3,595)	(9,689)
	(408,610)	(522,534)
	1,023,202	906,988

The balance Interest on loans includes the amount of Euros 32,057,000 (30 September 2016: Euros 31,600,000) 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 33,101,000 (30 September 2016: Euros 53,271,000) 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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Dividends from financial assets available for sale	1,682	6,956
Dividends from financial assets held for trading	4	5
	1,686	6,961

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the period.

5. Net fees and commissions income

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Fees and commissions received		
From guarantees	47,186	50,917
From commitments	3,407	2,899
From banking services	355,187	303,529
From insurance activity commissions	865	988
From securities operations	70,629	70,193
From management and maintenance of accounts	69,352	68,141
From fiduciary and trust activities	525	604
From other commissions	30,809	58,374
	577,960	555,645
Fees and commissions paid		
From guarantees received provided by third parties	(4,203)	(4,097)
From banking services	(60,714)	(51,475)
From insurance activity commissions	(1,181)	(921)
From securities operations	(7,427)	(9,022)
From other commissions	(9,795)	(8,984)
	(83,320)	(74,499)
	494,640	481,146

The balance Fees and commissions received - From banking services includes the amount of Euros 58,823,000 (30 September 2016: Euros 57,897,000) related to insurance mediation commissions.

6. Net gains / (losses) arising from trading and hedging activities

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	1,329,466	1,263,004
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	6,525	5,878
Variable income	699	23,680
Certificates and structured securities issued	43,365	30,545
Derivatives associated to financial instruments at fair value through profit or loss	20,682	31,402
Other financial instruments derivatives	315,374	291,904
Other financial instruments at fair value through profit or loss		
Other financial instruments	3,055	5,162
Repurchase of own issues	1,039	2,964
Hedging accounting		
Hedging derivatives	94,990	67,536
Hedged items	25,421	132,546
Credit sales	14,239	26,449
Other operations	3,507	1,609
	1,858,362	1,882,679
Losses arising on trading and hedging activities		
Foreign exchange activity	(1,266,064)	(1,196,076)
Transactions with financial instruments recognised at fair value through profit or loss		
Held for trading		
Securities portfolio		
Fixed income	(3,849)	(5,463)
Variable income	(516)	(24,244)
Certificates and structured securities issued	(101,161)	(12,211)
Derivatives associated to financial instruments through profit or loss	(12,788)	(22,703)
Other financial instruments derivatives	(243,352)	(311,371)
Other financial instruments at fair value through profit or loss		
Securities portfolio		
Fixed income	(2,889)	(4,900)
Other financial instruments	(9,607)	(10,232)
Repurchase of own issues	(362)	(1,966)
Hedging accounting		
Hedging derivatives	(115,263)	(168,681)
Hedged items	(11,820)	(22,975)
Credit sales	(18,861)	(13,710)
Other operations	(1,179)	(2,428)
	(1,787,711)	(1,796,960)
	70,651	85,719

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

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Gains arising from financial assets available for sale		
Fixed income	30,901	36,051
Variable income	15,852	94,091
Losses arising from financial assets available for sale		
Fixed income	(2,047)	(1,613)
Variable income	(358)	(1,735)
	44,348	126,794

The balance Gains arising from financial assets available for sale - Fixed income - includes, as at 30 September 2017, the amount of Euros 9,242,000 (30 September 2016: Euros 10,638,000) related to gains resulting from the sale of Portuguese Treasury bonds.

The balance Gains arising from financial assets available for sale - Variable income included, as at 30 September 2016, the amount of Euros 91,061,000 (of which Euros 64,708,000 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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Operating income		
Income from services	18,626	18,736
Cheques and others	9,468	9,998
Gains on leasing operations	5,747	2,292
Rents	1,782	1,967
Other operating income	11,996	11,883
	47,619	44,876
Operating costs		
Taxes	(20,080)	(18,009)
Donations and contributions	(2,867)	(3,437)
Contribution over the banking sector	(31,037)	(24,820)
Resolution Funds Contribution	(8,490)	(5,651)
Contribution for the Single Resolution Fund	(18,246)	(21,156)
Contributions to Deposit Guarantee Fund	(20,385)	(15,645)
Tax for the Polish banking sector	(32,881)	(29,248)
Losses on financial leasing operations	(777)	(201)
Other operating costs	(15,003)	(21,295)
	(149,766)	(139,462)
	(102,147)	(94,586)

During 2017, the Group delivered the amount of Euros 18,246,000 (30 September 2016: Euros 21,156,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,466,000 (30 September 2016: Euros 24,967,000) and the Group opted to constitute an irrevocable commitment, through a constitution of a bailment for this purpose, in the amount of Euros 3,220,000 (30 September 2016: Euros 3,811,000), not having this component been recognised as a cost, as defined by the Single Resolution Council 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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Salaries and remunerations	317,087	312,318
Mandatory social security charges	43,061	76,631
Voluntary social security charges	4,590	11,425
Other staff costs	15,380	10,035
	380,118	410,409

10. Other administrative costs

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Rents and leases	72,295	74,591
Outsourcing and independent labour	57,926	55,519
Advertising	19,222	17,920
Communications	15,839	17,062
Maintenance and related services	12,592	13,967
Information technology services	13,011	13,938
Water, electricity and fuel	11,536	11,909
Advisory services	9,925	8,192
Transportation	5,630	6,281
Travel, hotel and representation costs	5,583	5,601
Legal expenses	4,961	4,500
Consumables	3,508	3,265
Insurance	3,332	3,112
Credit cards and mortgage	4,499	2,928
Training costs	1,392	796
Other specialised services	14,940	16,410
Other supplies and services	18,573	18,955
	274,764	274,946

11. Amortizations and depreciations

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Intangible assets amortizations (note 30):		
Software	8,064	7,725
Other intangible assets	624	290
	8,688	8,015
Other tangible assets depreciations (note 29):		
Properties	14,253	14,251
Equipment		
Computer equipment	6,947	5,583
Motor vehicles	3,482	3,237
Interior installations	1,513	1,349
Furniture	1,452	1,262
Security equipment	1,220	1,190
Machinery	483	522
Other equipment	1,677	1,592
	31,027	28,986
	39,715	37,001

12. Loans impairment

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Loans and advances to customers:		
Impairment charge for the period	760,191	1,067,456
Write-back for the period	(288,677)	(171,767)
Recovery of loans and interest charged-off (note 22)	(12,920)	(25,499)
	458,594	870,190
Loans and advances to credit institutions:		
Write-back for the period	-	(2)
	458,594	870,188

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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Impairment of financial assets available for sale		
Charge for the period	48,485	178,650

14. Other provisions

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Provision for guarantees and other commitments (note 37)		
Charge for the period	16,494	28,271
Write-back for the period	(12,908)	(5,927)
	3,586	22,344
Other provisions for liabilities and charges (note 37)		
Charge for the period	16,054	8,329
Write-back for the period	(1,262)	(11,736)
	14,792	(3,407)
	18,378	18,937

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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	27,165	18,178
Banco Millennium Atlântico, S.A.	24,392	10,046
Unicre - Instituição Financeira de Crédito, S.A.	4,814	25,556
Banque BCP, S.A.S.	2,896	2,399
SIBS, S.G.P.S, S.A.	2,583	4,791
Banque BCP (Luxembourg), S.A.	8	44
Other companies	(5,067)	(406)
	56,791	60,608

In April 2016, the Banco Comercial Português, S.A. agreed to carry out a merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A. in which the Group was entitled to hold 22.5% of the new entity the Banco Millennium Atlântico, S.A., that started to be accounted by the equity method from May 2016. Thus, with reference to 30 September 2016, the contribution of Banco Millennium Atlântico, S.A is equivalent to 5 months.

16. Gains / (losses) arising from sales of subsidiaries and other assets

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Sale of 3.7% investment held in Banque BCP, S.A (Luxembourg)	-	465
Liquidation of Propaço related to the 52.7% of investment held	(2)	-
Sale of 41.1% investment held in Nanium	(3,821)	-
Other assets	5,282	(4,708)
	1,459	(4,243)

The caption Gains / (losses) arising from sales of subsidiaries and other assets - Other assets corresponds, namely, to the losses arising from the sale of assets of the Group classified as non-current assets held for sale (note 27), as also the gains/ (losses) arising on sales and revaluations of investment properties (note 28).

17. Income / (Loss) arising from discontinued or discontinuing operations

The amount of this account is comprised of:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Appropriated net income / (loss) before income taxes		
Net income before income taxes of Banco Millennium Angola, S.A.	-	41,934
Gains arising from the merger of Banco Millennium Angola, S.A. and Banco Privado Atlântico, S.A.	-	7,329
Gains arising from the sale of Millennium bcp Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1,250	1,092
	1,250	50,355
Taxes		
Banco Millennium Angola, S.A.	-	(5,128)
	1,250	45,227

18. Earnings per share

The earnings per share are calculated as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Continuing operations		
Net income / (loss)	208,087	(195,274)
Non-controlling interests	(76,028)	(82,667)
Appropriated net income / (loss)	132,059	(277,941)
Discontinued or discontinuing operations		
Net income / (loss)	1,250	45,227
Non-controlling interests	-	(18,366)
Appropriated net income / (loss)	1,250	26,861
Adjusted net income / (loss)	133,309	(251,080)
Average number of shares	12,717,384,960	1,205,801,483
Basic earnings per share (Euros):		
from continuing operations	0.014	(0.308)
from discontinued or discontinuing operations	0,000	0.030
	0.014	(0.278)
Diluted earnings per share (Euros):		
from continuing operations	0.014	(0.308)
from discontinued or discontinuing operations	0,000	0.030
	0.014	(0.278)

The Bank's share capital, as at 30 September 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominats shares, without nominal value, which is fully paid.

The average number of shares in 2016 was adjusted retrospectively by both the capital increase carried out in 2017 and the reverse stock split and by the increase in private subscription capital, both made in 2016, but after 30 June.

In September 2016 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), due to the negative net losses for the period (there is no dilution effect). It should be noted that on 9 February 2017, BCP has reimbursed in advance to the Portuguese State, the remaining amount of these instruments (Euros 700 million).

There were not identified another dilution effects of the earnings per share as at 30 September 2017 and 2016, so the diluted result is equivalent to the basic result.

19. Cash and deposits at Central Banks

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Cash	479,270	540,290
Central Banks		
Bank of Portugal	614,321	433,534
Central Banks abroad	1,051,204	600,088
	2,144,795	1,573,912

The balance Central Banks includes deposits at Central Banks of the countries where the Group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other effective liabilities. According to the European Central Bank System for Euro Zone, the cash reserve requirements establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Credit institutions in Portugal	5,250	659
Credit institutions abroad	917,831	232,152
Amounts due for collection	190,290	215,414
	1,113,371	448,225

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:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Other loans and advances to Central Banks abroad	50	12,461
Other loans and advances to credit institutions in Portugal		
Loans	36,774	15,586
Other applications	4,496	4,801
	41,270	20,387
Other loans and advances to credit institutions abroad		
Very short-term applications	242,271	180,347
Short-term applications	239,807	548,564
Loans	1	4
Other applications	281,269	294,439
	763,348	1,023,354
	804,668	1,056,202
Overdue loans - Over 90 days	663	499
	805,331	1,056,701

Under the scope of derivative financial instruments operations (IRS and CIRS) with institutional counterparties, and as defined in the respective contracts ("Cash collateral"), the caption Other loans and advances to credit institutions includes the amounts detailed below:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Other loans and advances to credit institutions in Portugal		
Other applications	3,050	2,840
Other loans and advances to credit institutions abroad		
Short-term applications	51,250	242,896
Other applications	275,458	275,180
	329,758	520,916

22. Loans and advances to customers

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Public sector	961,176	1,041,191
Asset-backed loans	27,862,242	29,011,503
Other guaranteed loans	4,037,302	3,985,120
Unsecured loans	7,384,793	6,821,163
Foreign loans	1,859,123	2,099,860
Factoring operations	1,959,518	1,794,778
Finance leases	3,473,404	3,373,561
	47,537,558	48,127,176
Overdue loans - less than 90 days	107,666	134,934
Overdue loans - Over 90 days	3,108,800	3,496,343
	50,754,024	51,758,453
Impairment for credit risk	(3,386,846)	(3,740,851)
	47,367,178	48,017,602

As at 30 September 2017, the balance Loans and advances to customers includes the amount of Euros 12,391,044,000 (31 December 2016: Euros 12,027,960,000) regarding credits related to mortgage loans issued by the Group.

The Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As at 30 September 2017 and as referred in note 51, 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 2016: Euros: 1,586,114,000). During the first nine months of 2017, no credits have been sold to these funds.

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

	Sep 2017 Euros '000	Dec 2016 Euros '000
Loans not represented by securities		
Discounted bills	237,454	284,378
Current account credits	1,674,004	1,625,812
Overdrafts	1,494,434	1,339,874
Loans	13,261,759	13,689,736
Mortgage loans	23,300,776	23,952,257
Factoring operations	1,959,518	1,794,778
Finance leases	3,473,404	3,373,561
	45,401,349	46,060,396
Loans represented by securities		
Commercial paper	1,860,652	1,843,345
Bonds	275,557	223,435
	2,136,209	2,066,780
	47,537,558	48,127,176
Overdue loans - less than 90 days	107,666	134,934
Overdue loans - Over 90 days	3,108,800	3,496,343
	50,754,024	51,758,453
Impairment for credit risk	(3,386,846)	(3,740,851)
	47,367,178	48,017,602

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

	Sep 2017		Dec 2016	
	Euros '000	**%**	**Euros '000**	**%**
Agriculture and forestry	347,157	0.68%	340,577	0.66%
Fisheries	53,594	0.11%	53,382	0.10%
Mining	91,344	0.18%	102,242	0.20%
Food, beverage and tobacco	655,013	1.29%	604,397	1.17%
Textiles	473,701	0.93%	470,765	0.91%
Wood and cork	246,002	0.49%	222,993	0.43%
Paper, printing and publishing	250,091	0.49%	207,963	0.40%
Chemicals	956,925	1.89%	748,720	1.45%
Machinery, equipment and basic metallurgical	1,127,631	2.22%	1,061,729	2.05%
Electricity and gas	613,362	1.21%	578,499	1.12%
Water	196,986	0.39%	209,693	0.41%
Construction	2,623,966	5.17%	2,859,301	5.52%
Retail business	1,292,521	2.55%	1,272,782	2.46%
Wholesale business	1,994,804	3.93%	1,917,220	3.70%
Restaurants and hotels	1,098,338	2.16%	974,176	1.88%
Transports	1,367,539	2.69%	1,491,856	2.88%
Post offices	5,126	0.01%	6,340	0.01%
Telecommunications	441,176	0.87%	379,594	0.73%
Services				
Financial intermediation	3,358,409	6.62%	4,060,971	7.85%
Real estate activities	1,366,711	2.69%	1,485,709	2.87%
Consulting, scientific and technical activities	1,072,930	2.11%	894,047	1.73%
Administrative and support services activities	504,499	0.99%	497,982	0.96%
Public sector	1,115,905	2.20%	740,839	1.43%
Education	135,281	0.27%	125,974	0.24%
Health and collective service activities	304,532	0.60%	281,158	0.54%
Artistic, sports and recreational activities	352,091	0.69%	381,572	0.74%
Other services	620,920	1.22%	635,861	1.23%
Consumer credit	3,768,288	7.43%	4,057,789	7.84%
Mortgage credit	23,405,560	46.12%	24,018,307	46.41%
Other domestic activities	6,639	0.01%	7,888	0.02%
Other international activities	906,983	1.79%	1,068,127	2.06%
	50,754,024	100.00%	51,758,453	100.00%
Impairment for credit risk	(3,386,846)		(3,740,851)	
	47,367,178		48,017,602	

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Amount of future minimum payments	3,902,269	3,810,114
Interest not yet due	(428,865)	(436,553)
Present value	3,473,404	3,373,561

Regarding operational leasing, the Group does not present relevant contracts as leasor.

The loan 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:

	Sep 2017	**Dec 2016**
	Euros '000	**Euros '000**
Agriculture and forestry	23,719	23,330
Fisheries	12,671	12,996
Mining	6,213	140
Food, beverage and tobacco	995	1,326
Textiles	499	694
Wood and cork	2,772	2,832
Paper, printing and publishing	424	1,899
Chemicals	3,560	4,277
Machinery, equipment and basic metallurgical	33,990	16,156
Electricity and gas	477	270
Water	142	98
Construction	25,704	34,029
Retail business	90,961	8,529
Wholesale business	10,924	8,928
Restaurants and hotels	12,618	12,822
Transports	7,385	9,656
Post offices	29	28
Telecommunications	21,042	238
Services		
Financial intermediation	456	452
Real estate activities	10,651	6,760
Consulting, scientific and technical activities	1,869	1,866
Administrative and support services activities	2,308	721
Public sector	92,924	746
Education	230	540
Health and collective service activities	552	54
Artistic, sports and recreational activities	405	399
Other services	1,938	1,626
Consumer credit	121,666	113,151
Mortgage credit	106,013	102,303
Other international activities	11,051	11,524
	604,188	378,390

The analysis of overdue loans, by sector of activity, is as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Agriculture and forestry	40,591	39,686
Fisheries	13,091	11,981
Mining	6,570	6,875
Food, beverage and tobacco	15,559	19,221
Textiles	26,072	26,075
Wood and cork	12,330	14,702
Paper, printing and publishing	6,216	10,010
Chemicals	64,052	66,517
Machinery, equipment and basic metallurgical	55,986	63,945
Electricity and gas	274	971
Water	4,098	3,884
Construction	727,475	826,013
Retail business	91,250	120,173
Wholesale business	131,542	153,696
Restaurants and hotels	95,688	117,557
Transports	32,870	72,317
Post offices	584	471
Telecommunications	105,636	106,998
Services		
Financial intermediation	407,361	565,769
Real estate activities	235,910	344,475
Consulting, scientific and technical activities	36,291	42,432
Administrative and support services activities	29,902	38,371
Public sector	386	979
Education	2,665	3,388
Health and collective service activities	3,229	4,491
Artistic, sports and recreational activities	14,384	15,811
Other services	269,031	16,304
Consumer credit	412,116	538,843
Mortgage credit	270,548	308,450
Other domestic activities	6,634	7,879
Other international activities	98,125	82,993
	3,216,466	3,631,277

The changes occurred in impairment for credit risks are analysed as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Balance on 1 January	3,740,851	3,468,084
Transfers resulting from changes in the Group's structure	-	(40,109)
Other transfers	38	6,277
Impairment charge for the period	760,191	1,067,456
Write-back for the period	(288,677)	(171,767)
Loans charged-off	(829,337)	(487,427)
Exchange rate differences	3,780	(38,771)
Balance on 30 September	3,386,846	3,803,743

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 reduction of the impairment is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Agriculture and forestry	42,085	38,705
Fisheries	19,505	18,921
Mining	10,484	5,048
Food, beverage and tobacco	14,621	14,806
Textiles	25,439	26,595
Wood and cork	16,109	16,957
Paper, printing and publishing	12,313	14,694
Chemicals	54,877	55,849
Machinery, equipment and basic metallurgical	45,042	47,664
Electricity and gas	2,665	3,198
Water	12,098	9,937
Construction	622,019	614,394
Retail business	77,374	92,880
Wholesale business	116,772	127,132
Restaurants and hotels	102,751	113,459
Transports	38,395	119,507
Post offices	495	500
Telecommunications	34,958	19,591
Services		
Financial intermediation	812,926	1,052,162
Real estate activities	182,000	208,729
Consulting, scientific and technical activities	119,585	60,709
Administrative and support services activities	42,429	33,880
Public sector	3,744	3,584
Education	6,592	7,438
Health and collective service activities	4,389	4,617
Artistic, sports and recreational activities	86,160	89,892
Other services	138,192	50,564
Consumer credit	354,616	473,800
Mortgage credit	314,466	316,087
Other domestic activities	374	555
Other international activities	73,371	98,997
	3,386,846	3,740,851

The analysis of loans charged-off, by sector of activity, is as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Agriculture and forestry	1,541	6,515
Fisheries	344	-
Mining	824	297
Food, beverage and tobacco	3,847	963
Textiles	4,242	5,800
Wood and cork	2,211	2,700
Paper, printing and publishing	3,496	1,959
Chemicals	5,760	5,597
Machinery, equipment and basic metallurgical	10,945	18,703
Electricity and gas	43	44
Water	329	114
Construction	84,328	124,074
Retail business	31,374	31,275
Wholesale business	35,060	16,834
Restaurants and hotels	10,015	15,853
Transports	90,460	3,656
Post offices	122	27
Telecommunications	3,226	9,184
Services		
Financial intermediation	244,836	47,340
Real estate activities	45,281	33,811
Consulting, scientific and technical activities	5,209	11,122
Administrative and support services activities	8,502	2,391
Public sector	-	2
Education	779	71
Health and collective service activities	737	598
Artistic, sports and recreational activities	946	730
Other services	3,964	4,244
Consumer credit	199,845	124,327
Mortgage credit	12,816	12,543
Other domestic activities	13,996	474
Other international activities	4,259	6,179
	829,337	487,427

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 recovered loans and interest, during the first nine months of 2017 and 2016, by sector of activity, is as follows (note 12):

	Sep 2017 Euros '000	Sep 2016 Euros '000
Agriculture and forestry	55	41
Fisheries	42	3
Mining	125	174
Food, beverage and tobacco	193	103
Textiles	273	753
Wood and cork	215	304
Paper, printing and publishing	267	52
Chemicals	141	203
Machinery, equipment and basic metallurgical	243	143
Electricity and gas	-	13
Construction	2,881	16,182
Retail business	1,063	320
Wholesale business	1,997	811
Restaurants and hotels	123	68
Transports	979	-
Telecommunications	20	10
Services		
Financial intermediation	162	58
Real estate activities	356	531
Consulting, scientific and technical activities	63	183
Administrative and support services activities	290	61
Health and collective service activities	10	-
Artistic, sports and recreational activities	6	2,170
Other services	6	100
Consumer credit	2,849	2,992
Mortgage credit	15	70
Other domestic activities	13	101
Other international activities	533	52
	12,920	25,499

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:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Bonds and other fixed income securities		
Issued by public entities	9,468,242	7,612,491
Issued by other entities	1,580,107	2,099,070
	11,048,349	9,711,561
Overdue securities	3,722	18,022
Impairment for overdue securities	(3,722)	(13,079)
	11,048,349	9,716,504
Shares and other variable income securities	1,180,834	1,226,456
	12,229,183	10,942,960
Trading derivatives	750,440	848,774
	12,979,623	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 securities, net of impairment, as at 30 September 2017, is analysed as follows:

	Sep 2017			
	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	10,097	142,253	4,079,868	4,232,218
Foreign issuers	95,111	-	3,673,890	3,769,001
Bonds issued by other entities				
Portuguese issuers	4,980	-	1,254,991	1,259,971
Foreign issuers	53,258	-	270,600	323,858
Treasury bills and other Government bonds				
Portuguese issuers	5,000	-	707,477	712,477
Foreign issuers	-	-	754,546	754,546
	168,446	142,253	10,741,372	11,052,071
Impairment for overdue securities	-	-	(3,722)	(3,722)
	168,446	142,253	10,737,650	11,048,349
Variable income:				
Shares in Portuguese companies	2,170	-	30,192	32,362
Shares in foreign companies	38	-	17,168	17,206
Investment fund units	963	-	1,129,683	1,130,646
Other securities	620	-	-	620
	3,791	-	1,177,043	1,180,834
Trading derivatives	750,440	-	-	750,440
	922,677	142,253	11,914,693	12,979,623

The trading and available for sale portfolios, are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves. As at 30 September 2017, the fair value reserves are positive in the amount of Euros 4,015,000 (31 December 2016: negative amount of Euros 233,799,000).

As at 30 September 2017, 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 1,050,000 (31 December 2016: Euros 1,379,000) and Euros 123,000 (31 December 2016: Euros 121,000), 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 2016, is analysed as follows:

	Dec 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				
Portuguese issuers	5,642	-	649,286	654,928
Foreign issuers	-	-	90,490	90,490
	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

The portfolio of financial assets available for sale, as at 30 September 2017, is analysed as follows:

	Sep 2017					
	Amortised cost Euros '000	Impairment Euros '000	Amortised cost net of impairment Euros '000	Fair value reserves Euros '000	Fair value hedge adjustments Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	4,013,598	-	4,013,598	(88,685)	154,955	4,079,868
Foreign issuers	3,667,598	-	3,667,598	6,292	-	3,673,890
Bonds issued by other entities						
Portuguese issuers	1,280,623	(87,362)	1,193,261	60,871	(2,863)	1,251,269
Foreign issuers	265,496	(1,467)	264,029	6,933	(362)	270,600
Treasury bills and other Government bonds						
Portuguese issuers	707,630	-	707,630	(153)	-	707,477
Foreign issuers	754,722	-	754,722	(176)	-	754,546
	10,689,667	(88,829)	10,600,838	(14,918)	151,730	10,737,650
Variable income:						
Shares in Portuguese companies	93,037	(69,351)	23,686	6,506	-	30,192
Shares in foreign companies	15,066	(459)	14,607	2,561	-	17,168
Investment fund units	1,528,530	(408,713)	1,119,817	9,866	-	1,129,683
	1,636,633	(478,523)	1,158,110	18,933	-	1,177,043
	12,326,300	(567,352)	11,758,948	4,015	151,730	11,914,693

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

	Dec 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	1,379,626	(130,588)	1,249,038	31,032	(942)	1,279,128
Foreign issuers	747,833	(1,582)	746,251	7,830	(210)	753,871
Treasury bills and other Government bonds						
Portuguese issuers	649,256	-	649,256	30	-	649,286
Foreign issuers	90,490	-	90,490	-	-	90,490
	9,690,620	(132,170)	9,558,450	(261,908)	76,829	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
	11,325,832	(572,589)	10,753,243	(233,799)	76,829	10,596,273

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 September 2017 is as follows:

	Sep 2017				
	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	26,586	7	-	-	26,593
Machinery, equipment and basic metallurgical	-	6	-	-	6
Electricity and gas	9,313	-	-	-	9,313
Construction	-	8	-	2,394	2,402
Retail business	4,334	1,612	-	-	5,946
Wholesale business	-	1,310	-	126	1,436
Restaurants and hotels	-	46	-	-	46
Transports	764,647	766	-	-	765,413
Telecommunications	-	9,661	-	-	9,661
Services					
Financial intermediation (*)	647,257	23,611	1,123,336	-	1,794,204
Consulting, scientific and technical activities	93	102	-	-	195
Administrative and support services activities	-	11,653	-	-	11,653
Health and collective service activities	111,194	-	-	-	111,194
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	753	7,310	1	8,064
Other international activities	-	6	620	-	626
	1,580,107	49,568	1,131,266	3,722	2,764,663
Government and Public securities	8,001,219	-	1,467,023	-	9,468,242
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	9,581,326	49,568	2,598,289	-	12,229,183

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,065,120,000, which are classified in the sector of activity Services - Financial intermediation, 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 2016 is as follows:

	Dec 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 51.

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.

24. Hedging derivatives

This balance is analysed, by hedging instruments, as follows:

	Sep 2017		Dec 2016	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Swaps	46,286	113,436	51,717	122,121
Others	119,036	102,859	5,321	261,871
	165,322	216,295	57,038	383,992

25. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Bonds and other fixed income securities		
Issued by public entities	138,319	152,119
Issued by other entities	297,959	359,062
	436,278	511,181

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:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Transports and communications	176,091	173,287
Services		
Financial intermediation	82,747	146,723
Consulting, scientific and technical activities	39,121	39,052
	297,959	359,062
Government and Public securities	138,319	152,119
	436,278	511,181

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.

26. Investments in associated companies

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Portuguese credit institutions	33,203	46,271
Foreign credit institutions	245,639	253,478
Other Portuguese companies	321,149	277,454
Other foreign companies	21,822	21,663
	621,813	598,866
Impairment	(9,006)	-
	612,807	598,866

The balance Investments in associated companies is analysed as follows:

	Sep 2017				
	Ownership on equity Euros '000	Goodwill Euros '000	Goodwill impairment Euros '000	Total Euros '000	Dec 2016 Euros '000
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	290,813	-	-	290,813	244,497
Banco Millennium Atlântico, S.A.	112,688	98,871	-	211,559	219,754
Unicre - Instituição Financeira de Crédito, S.A.	25,767	7,436	-	33,203	46,271
Banque BCP, S.A.S.	34,080	-	-	34,080	32,438
SIBS, S.G.P.S, S.A.	23,269	-	-	23,269	25,575
Webspectator Corporation	89	18,011	(9,006)	9,094	18,111
Mundotêxtil - Indústrias Têxteis, S.A.	6,538	-	-	6,538	6,854
Banque BCP (Luxembourg), S.A.	-	-	-	-	1,286
Others	4,251	-	-	4,251	4,080
	497,495	124,318	(9,006)	612,807	598,866

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 52.

27. Non-current assets held for sale

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Gross value		
Real estate		
Assets arising from recovered loans results	1,854,280	1,798,040
Assets belong to investments funds and real estate companies	548,122	529,261
Assets for own use (closed branches)	73,824	77,323
Equipment and other	31,423	31,577
Other assets	33,757	41,537
	2,541,406	2,477,738
Impairment		
Real estate		
Assets arising from recovered loans results	(204,262)	(203,020)
Assets belong to investments funds and real estate companies	(30,759)	(7,277)
Assets for own use (closed branches)	(10,514)	(7,106)
Equipment and other	(9,749)	(10,176)
	(255,284)	(227,579)
	2,286,122	2,250,159

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 who 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. Additional information on these assets is presented in note 51.

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 80,726,000 (31 December 2016: Euros 92,682,000), which impairment associated is Euros 4,204,000 (31 December 2016: Euros 17,435,000), that was calculated considering the value of the contracts.

The changes occurred in impairment for non-current assets held for sale are analysed as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Balance on 1 January	227,579	265,170
Transfers	448	(13,787)
Impairment for the period	74,551	27,374
Write-back for the period	(3,242)	(508)
Amounts charged-off	(43,865)	(42,144)
Exchange rate differences	(187)	(1,455)
Balance on 30 September	255,284	234,650

28. Investment property

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

29. Other tangible assets

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Gross value		
Land and buildings	830,375	841,497
Equipment		
Furniture	82,790	82,947
Machinery	44,467	44,642
Computer equipment	294,787	286,268
Interior installations	139,677	136,563
Motor vehicles	27,852	24,857
Security equipment	71,029	71,391
Other equipment	30,221	29,696
Work in progress	16,563	16,532
Other tangible assets	228	219
	1,537,989	1,534,612
Accumulated depreciation		
Charge for the period (note 11)	(31,027)	(39,100)
Charge for the previous periods	(1,027,987)	(1,021,646)
	(1,059,014)	(1,060,746)
	478,975	473,866

30. Goodwill and intangible assets

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Intangible assets		
Gross value		
Software	107,122	101,739
Other intangible assets	55,025	52,509
	162,147	154,248
Accumulated amortization		
Charge for the period (note 11)	(8,688)	(10,724)
Charge for the previous periods	(118,843)	(111,349)
	(127,531)	(122,073)
	34,616	32,175
Differences arising on consolidation (Goodwill)		
Gross value		
Bank Millennium, S.A. (Poland)	125,447	125,447
Real estate and mortgage credit	40,859	40,859
Others	21,167	31,354
	187,473	197,660
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(16,670)	(26,870)
	(57,529)	(67,729)
	129,944	129,931
	164,560	162,106

31. Income Tax

The deferred income tax assets and liabilities, are analysed as follows:

	Sep 2017			Dec 2016		
	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	929,934	-	929,934	927,675	-	927,675
Employee benefits	789,000	-	789,000	789,000	-	789,000
	1,718,934	-	1,718,934	1,716,675	-	1,716,675
Deferred taxes depending on the future profits						
Impairment losses	936,773	50,303	886,470	928,645	50,303	878,342
Tax losses carried forward	493,513	-	493,513	494,785	-	494,785
Employee benefits	35,576	4,323	31,253	60,083	27,248	32,835
Financial assets available for sale	20,845	23,695	(2,850)	60,828	5,458	55,370
Derivatives	-	6,980	(6,980)	-	7,444	(7,444)
Intangible assets	39	-	39	39	-	39
Other tangible assets	11,148	3,288	7,860	8,289	3,547	4,742
Others	22,248	17,553	4,695	34,258	27,366	6,892
	1,520,142	106,142	1,414,000	1,586,927	121,366	1,465,561
Total deferred taxes	3,239,076	106,142	3,132,934	3,303,602	121,366	3,182,236
Offset between deferred tax assets and deferred tax liabilities	(103,907)	(103,907)	-	(118,677)	(118,677)	-
Net deferred taxes	3,135,169	2,235	3,132,934	3,184,925	2,689	3,182,236

(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	Sep 2017	Dec 2016
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 2016: 21%).

The average deferred tax rate associated with temporary differences of the Bank is 29.43% (31 December 2016: 29.43%). The income tax rate in the other main countries where the Group operates is 19% in Poland, 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, 2013 and 2017 and 12 years for the losses of 2014, 2015 and 2016. In Poland, the term is 5 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 30 September 2017, 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.

The differed income tax assets associated to tax losses carried forward, by expire date, is presented as follows:

	Sep 2017	**Dec 2016**
Maturity	**Euros '000**	**Euros '000**
2018	2,702	4,069
2019-2025	99	4
2026	212,833	201,812
2028 and following	277,879	288,900
	493,513	494,785

Regarding the activity in Portugal, the specific rules regarding the tax regime for credit impairment and guarantees for the tax periods beginning on or after 1 January 2017 are not defined, since the reference to the Bank of Portugal Notice No. 3/95 was only applicable until 31 December 2016 and the regime that will be effective as at 1 January 2017 has not yet been defined. In this context, the Bank is considering, for the purpose of calculating taxable income and the deferred tax recording with reference to 30 September 2017, that the impairment of the credit and guarantees recorded which is deductible for IRC purpose is limited to the amount of the deductible provisions that would have been verified if the Bank of Portugal Notice No. 3/95 still remained in force.

In the projections of future taxable income, the Executive Committee considered the approximation between the tax rules and accounting rules underlying a bill amending article 28-C of the IRC Code and publicly referred to by the Secretary of State of Fiscal Issues in office until July 13, 2017, on the understanding that it is probable the approval of a diploma without substantial changes in relation to the referred bill.

Briefly, in accordance with referred bill, the impairment losses resulting from individual analysis are deductible up to the amount corresponding to the application of the maximum reference percentages set by the Bank of Portugal (provided in the Circular Letter n. 2/2014) on the value of the exposure not covered by assets given as collateral for the respective payment and impairment losses resulting from a collective analysis are deductible at 75% of the amount of the difference, when positive, calculated annually between the accumulated amount of these losses and the balance that has been accepted for tax purposes in previous taxation years, with a transition period of 15 years with increasing percentages for the tax deductibility of impairment losses for credit and guarantees not accepted fiscally until 31 December 2016 and which become deductible under the terms provided in the bill. In this context, in the projections of future taxable income, were considered the scenario in which the impairment losses resulting from individual analysis are fully deductible.

Additionally, as part of the analysis of the recoverability of deferred tax assets, the Bank prepared a sensitivity analysis on the assumption of future maintenance of the tax regime applicable to impairment for credit and guarantees that was in force in 2016 (Bank of Portugal Notice No 3/95). According to this sensitivity analysis, the Bank also concluded the recoverability of all deferred tax assets recorded as at 30 September 2017.

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;
- Positive net results, 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.

Additionally, the 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.

The analyses made allow the conclusion of the recoverability of the total deferred tax assets recognised as at 30 September 2017.

Tax losses carried forward	**Sep 2017 Euros '000**	**Dec 2016 Euros '000**
2017	2,418	2,453
2018	1,595	1,594
2019-2025	8,739	3
2026	878	917
2027 and following	241,044	172,552
	254,674	177,519

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 30 September 2017, is analysed as follows:

	Sep 2017		
	Net income / (loss) for the period Euros '000	**Reserves and retained earnings Euros '000**	**Exchange differences Euros '000**
Deferred taxes			
Deferred taxes not depending on the future profits (a)			
Impairment losses	2,259	-	-
	2,259	-	-
Deferred taxes depending on the future profits			
Impairment losses	8,248	-	(120)
Tax losses carried forward	(825)	(745)	298
Employee benefits	6,511	(7,781)	(312)
Financial assets available for sale	-	(60,176)	1,956
Derivatives	654	-	(190)
Other tangible assets	3,083	-	35
Others	(210)	-	(1,987)
	17,461	(68,702)	(320)
	19,720	(68,702)	(320)
Current taxes			
Actual period	(84,413)	7	-
Correction of previous periods	1,582	-	-
	(82,831)	7	-
	(63,111)	(68,695)	(320)

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

The impact of income taxes in Net income / (loss) and in other captions of Group's equity, as at 30 September 2016, is analysed as follows:

	Sep 2016			
	Net income / (loss) for the period Euros '000	**Reserves and retained earnings Euros '000**	**Exchange differences Euros '000**	**Discontinued operations and other variations Euros '000**
Deferred taxes				
Deferred taxes not depending				
on the future profits (a)				
Impairment losses	376,757	(418,125)	-	-
Employee benefits	20,514	1,380	-	-
	397,271	(416,745)	-	-
Deferred taxes depending				
on the future profits				
Impairment losses	(363,143)	439,171	(1,684)	13,683
Tax losses carried forward	114,813	(18,052)	(51)	-
Employee benefits	3,333	38,727	781	-
Financial assets available for sale	-	45,897	(4,908)	-
Derivatives	1,051	-	(887)	-
Other tangible assets	965	-	(24)	-
Others	(9,540)	-	1,699	(511)
	(252,521)	505,743	(5,074)	13,172
	144,750	88,998	(5,074)	13,172
Current taxes				
Actual period	(77,368)	226	-	2
Correction of previous periods	831	(63)	-	-
	(76,537)	163	-	2
	68,213	89,161	(5,074)	13,174

(a) Deferred tax related to expenses and negative equity variations covered by the special arrangements for deferred tax assets (Law No. 61/2014 of 26 August). Under the Law No. 23/2016 of 19 August, this special scheme is not applicable to expenses and negative equity variations accounted in the taxable periods beginning on or after 1 January 2016, neither to deferred tax assets associated with them.

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

	Sep 2017 Euros '000	**Sep 2016 Euros '000**
Net income / (loss) before income taxes	271,198	(263,487)
Current tax rate (%)	29.5%	29.5%
Expected tax	(80,003)	77,729
Non-deductible impairment	11,141	(8,305)
Contribution to the banking setor	(15,403)	(7,322)
Results of companies consolidated by the equity method	16,753	17,879
Other accruals for the purpose of calculating the taxable incom	(28,166)	(18,627)
Employees' benefits	17,002	-
Effect of difference of rate tax and deferred tax		
not recognised previously	13,923	(3,162)
Correction of previous periods	2,965	11,387
(Autonomous tax) / tax credits	(1,323)	(1,366)
Total	(63,111)	68,213
Effective rate	23.3%	25.9%

32. Other assets

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Deposit account applications	126,428	280,675
Associated companies	569	6,247
Subsidies receivables	6,521	5,084
Prepaid expenses	34,239	31,662
Debtors for futures and options transactions	104,122	49,422
Debtors		
Residents		
Insurance activity	3,471	4,386
Advances to suppliers	1,031	1,663
SIBS	6,746	6,340
Prosecution cases / agreements with the Bank	11,688	11,481
Receivables from real estate, transfers of assets and other securities	48,224	55,693
Others	88,124	81,432
Non-residents	23,486	26,014
Receivable dividends	-	18,063
Interest and other amounts receivable	43,701	47,763
Amounts receivable on trading activity	173,450	37,223
Gold and other precious metals	3,600	3,635
Other financial investments	6,086	20,426
Other recoverable tax	24,249	24,558
Artistic patrimony	28,850	28,811
Capital supplementary contributions	7,941	7,648
Reinsurance technical provision	16,470	11,999
Obligations with post-employment benefits	163,702	31,681
Capital supplies	219,575	214,810
Amounts due for collection	29,303	29,618
Amounts due from customers	217,054	227,376
Sundry assets	114,155	91,493
	1,502,785	1,355,203
Impairment for other assets	(295,361)	(267,389)
	1,207,424	1,087,814

The balance Deposit account applications includes the amount of Euros 6,954,000 (31 December 2016: Euros 3,726,000) related to the irrevocable commitment payment to the Single Resolution Fund, as referred in note 8.

33. Resources from credit institutions

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Resources and other financing from Central Banks		
Bank of Portugal	3,986,254	4,851,574
Central Banks abroad	101,274	300,098
	4,087,528	5,151,672
Resources from credit institutions in Portugal		
Sight deposits	104,951	126,260
Term Deposits	114,122	428,861
Loans obtained	1,105	2,978
Other resources	1,780	1,240
	221,958	559,339
Resources from credit institutions abroad		
Very short-term deposits	3	11
Sight deposits	170,378	151,516
Term Deposits	501,316	240,712
Loans obtained	1,758,066	1,450,724
Sales operations with repurchase agreement	2,432,649	2,317,772
Other resources	13,616	66,649
	4,876,028	4,227,384
	9,185,514	9,938,395

34. Resources from customers and other loans

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Deposits from customers:		
Repayable on demand	24,555,007	22,017,099
Term deposits	19,778,387	20,459,067
Saving accounts	3,002,404	2,841,677
Deposits at fair value through profit and loss	2,864,770	2,985,741
Treasury bills and other assets sold under repurchase agreement	120,322	137,707
Cheques and orders to pay	358,907	320,159
Others	10,562	36,197
	50,690,359	48,797,647

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 contribution to the Deposit Guarantee Fund, as at 30 September 2017, amounts to Euros 20,385,000 (note 8).

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,.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to, as at 30 September 2017, Euros 2,864,000,000 (31 December 2016: Euros 2,992,567,000).

35. Debt securities issued

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Debt securities at amortized cost		
Bonds	826,790	967,289
Covered bonds	992,708	926,793
MTNs	10,638	415,460
Securitizations	350,457	382,412
	2,180,593	2,691,954
Accruals	6,541	35,202
	2,187,134	2,727,156
Debt securities at fair value through profit and loss		
Bonds	21,953	38,709
MTNs	162,391	157,873
	184,344	196,582
Accruals	1,941	3,566
	186,285	200,148
Certificates at fair value through profit and loss	722,762	585,516
	3,096,181	3,512,820

As referred in note 46, Banco Comercial Português, S.A. issued covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May.

The issue, in the amount of Euros 1,000 million, has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

36. Financial liabilities held for trading

The balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Short selling securities	49,066	24,228
Trading derivatives (note 23):		
Swaps	388,687	498,702
Options	3,926	4,457
Embedded derivatives	10,422	6,111
Forwards	7,116	6,225
Others	2,589	7,864
	412,740	523,359
	461,806	547,587

37. Provisions

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Provision for guarantees and other commitments (note 22)	131,719	128,056
Technical provision for the insurance activity		
For direct insurance and reinsurance accepted		
Unearned premium	9,357	10,490
Life insurance	34,988	34,751
For participation in profit and loss	4,088	431
Other technical provisions	22,175	15,816
Other provisions for liabilities and charges	138,662	131,506
	340,989	321,050

Changes in Provision for guarantees and other commitments are analysed as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Balance on 1 January	128,056	74,710
Transfers resulting from changes in the Group's structure	-	(930)
Charge for the period (note 14)	16,494	28,271
Write-back for the period (note 14)	(12,908)	(5,927)
Exchange rate differences	77	(2,163)
Balance on 30 September	131,719	93,961

Changes in Other provisions for liabilities and charges are analysed as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Balance on 1 January	131,506	136,908
Transfers resulting from changes in the Group's structure	3	(1,879)
Other transfers	(523)	14,282
Charge for the period (note 14)	16,054	8,329
Write-back for the period (note 14)	(1,262)	(11,736)
Amounts charged-off	(7,294)	(15,508)
Exchange rate differences	178	(1,828)
Balance on 30 September	138,662	128,568

38. Subordinated debt

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Bonds		
Non Perpetual	813,851	804,547
Perpetual	27,119	28,955
CoCos	-	703,421
	840,970	1,536,923
Accruals	17,197	7,632
	858,167	1,544,555

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.

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, 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.

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.

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. Thus, the Bank repaid Euros 50,000,000 of CoCos during December 2016, thus meeting once again the deadlines established under the CoCos repayment plan agreed with the European Commission.

As referred in note 46, 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.

As at 30 September 2017, 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)	52,445	52,445	5,130
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	1,612
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	2,210
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	758
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	79,673
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	44,906
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	24,908
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,879	2,854
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	54,912	19,944
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,908	16,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,501	11,660
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	15,246	6,401
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,463	11,091
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	53,911	25,585
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,377	12,667
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	27,181	14,467
Bank Millennium:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,157	150,157	6,674
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,280	75,771	18,413
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					813,851	305,797
Perpetual Bonds						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	85	69	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0,9%	22,035	22,064	22,035
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2,25%	4,986	4,986	4,986
					27,119	27,021
Accruals					17,197	-
					858,167	332,818

References:

Date of exercise of the next call option - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018 ; (vii) March 2018

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;
(xi) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%.

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 ago 2020 - EMTN 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	1,222
BCP Ob Sub mar 2021 - EMTN 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	96,773
BCP Ob Sub abr 2021 - EMTN 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	54,521
BCP Ob Sub 3S abr 2021 - EMTN 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	30,158
BCP Sub 11/25.08.2019 - EMTN 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	8,011	3,979
BCP Subord set 2019 - EMTN 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	53,933	27,444
BCP Subord nov 2019 - EMTN 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	42,675	22,844
MBCP Subord dez 2019 - EMTN 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	28,260	15,650
MBCP Subord jan 2020 - EMTN 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,490	8,501
MBCP Subord fev 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	23,730	14,541
BCP Subord abr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	52,485	33,235
BCP Subord 2 Serie abr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	25,650	16,417
BCP Subordinadas jul 20-EMTN 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,370	18,404
Bank Millennium:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,466	150,466	29,257
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,413	73,791	19,470
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					804,548	403,984
Perpetual Bonds						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	95	75	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0.9%	23,216	23,332	23,216
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2.25%	5,548	5,548	5,548
					28,955	28,764
CoCos						
BCP Coco Bonds 12/29.06.2017	December, 2001	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 - It is considered the first date after the end of the restructuring period (31 December 2017). Subject to prior approval of the Supervisory Authorities.

(i) March 2018; (ii) - April 2018; (iii) - June 2018; (iv) - February 2018; (v) - March 2018; (vi) - June 2018; (vii) March 2018

Interest rate

(viii) - 1st year 6%; 2nd to 5th year Euribor 6M + 1%; 6th year and following Euribor 6M + 1.4%;
(ix) - Until the 5th year Fixed rate 3.25%; 6th year and following years Euribor 6M + 1%;
(x) - 1st year: 3%; 2nd year 3.25%; 3rd year 3.5%; 4th year 4%; 5th year 5%; 6th year and following Euribor 6M + 1.25%;
(xi) - Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.4%;
(xii) - 1st year: 8.5%; 2nd year 8.75%; 3rd year 9%; 4th year 9.5%; 5th year 10%.

39. Other liabilities

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Creditors:		
Suppliers	28,435	28,430
From factoring operations	13,684	13,717
Deposit account applications and others applications	67,003	23,615
Associated companies	9	108
For futures and options transactions	8,030	6,517
For direct insurance and reinsurance operations	7,342	9,853
Obligations not covered by the Group Pension Fund - amounts payable by the Group	27,076	47,989
Other creditors		
Residents	31,666	51,241
Non-residents	36,637	36,573
Negative equity in associated companies		
Luanda Waterfront Corporation	14,110	9,473
Nanium, S.A.	-	2,367
Holiday pay and subsidies	68,112	50,910
Interests and other amounts payable	16,786	65,147
Operations to be settled - foreign, transfers and deposits	275,030	301,696
Amounts payable on trading activity	126,496	803
Other administrative costs payable	2,838	2,856
Deferred income	65,627	10,930
Loans insurance received and to amortized	55,469	52,164
Public sector	30,523	32,643
Other liabilities	196,429	168,496
	1,071,302	915,528

40. Share capital, preference shares and other equity instruments

The Bank's share capital, as at 30 September 2017, amounts to Euros 5,600,738,053.72 and is represented by 15,113,989,952 ordinary, book-entry and nominates shares, without nominal value, which is fully paid.

As referred in note 46, the Board of Directors of BCP 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 resulting number of BCP ordinary shares is 15,113,989,952.

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.

The share premium amounts to Euros 16,470,667.11, corresponding to the difference between the issue price (Euros 0.0834 per share) and the issue value (Euros 0.08 per share) determined under the scope of the Exchange Offer occurred in June 2015.

As at 30 September 2017, 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.

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 (note 38) 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.

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.

As referred in note 46, 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.

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 could not distribute dividends until the issue was fully reimbursed.

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. In accordance with the proposal for the application of results for the year 2016 approved at the General Shareholders' Meeting held on 10 May 2017, the Bank increased its legal reserve in the amount of Euros 6,931,000. As at 30 September 2017, the amount of Legal reserves amounts to Euros 222,806,000 (31 December 2016: Euros 215,875,000).

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 amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2016: Euros 30,000,000) and corresponds, as at 30 September 2017, 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		Other treasury stock	Total
Sep 2017				
Net book value (Euros '000)	79		203	282
Number of securities	323,738	(*)		
Average book value (Euros)	0.24			
Dec 2016				
Net book value (Euros '000)	2,880		-	2,880
Number of securities	2,689,098	(*)		
Average book value (Euros)	1.07			

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

(*) As at 30 September 2017, 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 323,738 shares (31 December 2016: 2,689,098 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.

43. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Fair value reserves		
Gross value		
Financial assets available for sale (nte 23)	4,015	(233,799)
Financial assets held to maturity (*)	(3,662)	(6,517)
Of associated companies and others	21,888	3,568
Cash-flow hedge	29,448	56,842
	51,689	(179,906)
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	2,079	67,936
Financial assets held to maturity	152	207
Cash-flow hedge	(9,887)	(18,869)
	(7,656)	49,274
	44,033	(130,632)
Reserves and retained earnings		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(25,634)	(33,196)
BIM - Banco Internacional de Moçambique, S.A.	(156,934)	(166,996)
Others	(2,459)	15,873
	(185,027)	(184,319)
Actuarial losses	(2,511,423)	(2,575,656)
Other reserves and retained earnings	2,638,422	2,657,669
	(58,028)	(102,306)

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification.

44. Non-controlling interests

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Exchange differences arising on consolidation	(117,274)	(141,617)
Deferred taxes	908	4,900
Actuarial losses (net of taxes)	(1,069)	(1,069)
Fair value reserves	(6,260)	(28,653)
	(123,695)	(166,439)
Other reserves and retained earnings	1,129,864	1,049,504
	1,006,169	883,065

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Sep 2017 Euros '000	Dec 2016 Euros '000	Sep 2017 Euros '000	Sep 2016 Euros '000
From continuing operations				
Bank Millennium, S.A.	880,322	785,357	58,760	64,999
BIM - Banco Internacional de Moçambique, SA (*)	125,152	106,377	20,751	17,941
Other subsidiaries	695	(8,669)	(3,483)	(273)
	1,006,169	883,065	76,028	82,667
From discontinued or discontinuing operations				
Banco Millennium Angola, S.A.	-	-	-	18,366
	1,006,169	883,065	76,028	101,033

(*) Includes the non-controlling interests of BIM Group related to SIM - Seguradora Internacional de Moçambique, S.A.R.L.

45. Guarantees and other commitments

This balance is analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Guarantees granted (note 22)		
Guarantees	3,737,981	3,859,747
Stand-by letter of credit	65,637	68,301
Open documentary credits	388,987	506,160
Bails and indemnities	360,031	401,837
	4,552,636	4,836,045
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	11,645	18,383
Irrevocable credit lines	2,697,624	2,184,968
Securities subscription	1,394	-
Other irrevocable commitments	279,657	294,046
Revocable commitments		
Revocable credit lines	3,801,729	3,931,708
Bank overdraft facilities	614,673	615,795
Other revocable commitments	34,410	62,571
	7,441,132	7,107,471
Guarantees received	26,318,354	27,051,441
Commitments from third parties	10,854,332	11,043,835
Securities and other items held for safekeeping	66,782,888	59,903,424
Securities and other items held under custody by the Securities Depository Authority	61,813,680	55,380,653
Other off balance sheet accounts	127,636,224	131,179,648

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.

46. Relevant events occurred during the first semester of 2017

Resolutions of the Annual General Meeting of Shareholders

Banco Comercial Português, S.A. concluded on 10 May 2017, with 54.17% of the share capital represented, the Annual General Meeting of Shareholders, with the following resolutions:

- Item One – Approval of the individual and consolidated annual reports, balance sheet and financial statements for 2016;

- Item Two – Approval of the proposal for the application of year-end results;

- Item Three – Approval of a vote of trust and praise addressed to the Board of Directors, including to the Executive Committee and to the Audit Committee and each one of their members, as well as to the Chartered Accountant and its representative;

- Item Four – Approval of the statement on the remuneration policy of the Members of the Management and Supervision Bodies;

- Item Five – Approval of the appointment of two new directors: Lingiang Xu as non-executive member of the Board of Directors of BCP and João Nuno de Oliveira Palma as executive member of the Board of Directors of BCP;

- Item Six - Approval of the acquisition and sale of own shares and bonds;

- Item Seven – Election of the members of the Board of the General Meeting of Banco Comercial Português for the term-of-office of 2017/2019.

New issue of covered mortgage bonds

Banco Comercial Português, S.A. fixed on 23 May 2017, the terms and conditions for a new issue of covered mortgage bonds, under its Covered Bond Program, with subscription date on 31 May. The issue, in the amount of Euros 1,000 million has a term of 5 years, an issuance price of 99.386% and an annual interest rate of 0.75%, reflecting a spread of 65 basis points over 5-year swaps.

The operation was placed successfully with a very diverse group of European institutional investors. Demand for the issue was more than 180% the amount on offer, and the speed with which the placement was completed demonstrate unequivocally the confidence of the market in the Bank and its clear ability to access this important source of financing.

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") 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.

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, 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.

The Bank was informed that, in the context of the change to the voting cap provided in the articles of association of BCP to 30%, Sonangol has requested and obtained authorisation from the ECB to increase its stake in the share capital of BCP to up to 30%, but BCP has no information regarding Sonangol's decision with reference to the Rights Offering, notably as to the exercise, sale and/or purchase of subscription rights.

In connection with the Rights Offering, BCP has entered into an underwriting agreement with a syndicate of banks, pursuant to which the banks have agreed, and subject to certain conditions, to procure subscribers for, or failing which to subscribe for, any remaining offered shares in the Rights Offering, but excluding the shares to be subscribed by Chiado under its irrevocable anticipated subscription order.

The 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 BCP's reserved share capital increase (in the amount of Euros 174,582,327.32) completed on 18 November 2016, was admitted to trading on Euronext Lisbon as at 9 February 2017.

As such, the BCP's share capital 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 share capital increase completed in this date.

Administrative legal proceedings

Banco Comercial Português, after having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund) which was announced to be included in a sale agreement of Novo Banco, has decided, in light of the legal deadline and for caution, to request the respective appreciation through administrative legal proceedings. This diligence does not comprise nor entail, the production of any suspensive effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays, which centers exclusively on the referred capitalization contigent obligation,.

Platform for the integrated management of delinquent loans

Banco Comercial Português, Caixa Geral de Depósitos and Novo Banco have today signed a memorandum of understanding for the creation of “Plataforma de Gestão de Créditos Bancários, ACE” (“the Platform”), a tool that will allow for an enhanced co-ordination among lenders, aimed at increasing the effectiveness and speed of credit and companies’ restructuring processes.

Under this memorandum, the three parties involved have stated their intention to create the Platform, with the purpose of managing, in an integrated manner, an array of credits granted to a number of shared debtors and classified as NPE (“Non Performing Exposures”).

On an initial phase, the Platform will manage credits with a nominal aggregate value not lower than Euros 5,000,000 (five million euros) per eligible debtor. Assets to be managed by the Platform will remain in each of the banks’ balance sheets.

The Platform is designed as to allow other financial institutions or financial societies, sharing debtors with other members, to join on a voluntary basis in the future.

The Platform is to pursue the following goals:

- Recovering credit and speeding-up the reduction of NPE portfolios held by banks;

- Supporting the recovery of several sectors of the Portuguese economy, through credit and debtors’ restructuring, and increasing asset viability;

- Fostering companies’ re-composition and consolidation, when necessary to ensure debtors viability and soundness;

- Facilitating and fostering the access of companies, either already restructured or under restructuring, to public or private sources of new capital or of funding;

- Accelerating and facilitating debtors’ negotiations with banks, aimed at corporate restructuring;

- Lobbying the Government and the Bank of Portugal for changes to the legal, judicial and fiscal framework, as to render corporate restructuring processes swifter and more efficient.

47. Post-employment benefits and other long term benefits

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 w).

As at 30 September 2017 and 31 December 2016,, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	Sep 2017	Dec 2016
Number of participants		
Pensioners	16,565	16,524
Former Attendees Acquired Rights	3,358	3,386
Employees	7,465	7,537
	27,388	27,447

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:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Projected benefit obligations		
Pensioners	1,982,334	1,959,977
Former attendees acquired rights	205,004	221,860
Employees	866,150	910,812
	3,053,488	3,092,649
Pension fund value	(3,217,190)	(3,124,330)
Net (assets) / liabilities in balance sheet (notes 32 and 39)	(163,702)	(31,681)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,145,937	3,220,601

As at 30 September 2017, the projected benefit liabilities include Euros 313,766,000 (31 December 2016: Euros 324,210,000) which correspond to Extra-fund liabilities and as such are not covered by the Pension Fund. As at 30 September 2017, these liabilities include Euros 11,617,000 (31 December 2016: 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 (CLA).

The change in the projected benefit obligations is analysed as follows:

	Sep 2017			Dec 2016		
	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000	Pension benefit obligations Euros '000	Extra-Fund Euros '000	Total Euros '000
Balance as at 1 January	2,768,439	324,210	3,092,649	2,824,165	311,522	3,135,687
Service cost	(12,414)	418	(11,996)	(741)	-	(741)
Interest cost / (income)	43,006	4,948	47,954	69,715	7,537	77,252
Actuarial (gains) and losses						
Not related to changes in actuarial assumptions	22,450	(2,238)	20,212	21,828	(1,690)	20,138
Arising from changes in actuarial assumptions	-	-	-	93,570	18,553	112,123
Payments	(53,771)	(15,208)	(68,979)	(70,534)	(21,576)	(92,110)
Early retirement programmes	7,736	-	7,736	4,164	-	4,164
Contributions of employees	5,909	-	5,909	8,398	-	8,398
Changes occurred in the Collective Labour Agreement (CLA)	(41,633)	1,636	(39,997)	(182,126)	9,864	(172,262)
Balance at the end of the period	2,739,722	313,766	3,053,488	2,768,439	324,210	3,092,649

As at 30 September 2017 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 53,771,000 (31 December 2016: Euros 70,534,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 30 September 2017, to the amount of Euros 310,181,000 (31 December 2016: Euros 313,509,000).

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 30 September 2017 amounts to Euros 66,162,000 (31 December 2016: Euros 68,530,000), 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 in the CLA

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and" Federação Nacional do Sector Financeiro", resulted in a profit of Euros 191,507,000 (of which Euros 19,245,000 do not correspond to benefits post-employment). Regarding the "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA, formalize the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017. The profit arising from the changes amounts to Euros 44,924,000 (of which Euro 4,927,000 do not correspond to benefits post-employment).

The new CLAs have already been published by the Ministry of Labor in Bulletin of Labor and Employment.

The most relevant changes that occurred in the CLA 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 and 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 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. This benefit is not included in the pension fund agreement and as such was considered as Extra-Fund.

During the first nine months of 2017 and during 2016, the changes in the value of plan's assets is analysed as follows:

	Sep 2017 **Euros '000**	**Dec 2016** **Euros '000**
Balance as at 1 January	3,124,330	3,157,869
Contributions to the Fund	-	125,000
Employees' contributions	5,909	8,398
Actuarial gains and (losses)	94,876	(170,384)
Payments	(53,771)	(70,534)
Expected return on plan assets	44,552	72,750
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	1,294	1,231
Balance at the end of the period	3,217,190	3,124,330

The elements of the Pension Fund's assets are analysed as follows:

	Sep 2017			Dec 2016		
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	306,378	95,718	402,096	423,343	102,756	526,099
Bonds and other fixed income securities	1,189,530	3,951	1,193,481	1,187,721	159,618	1,347,339
Participations units in investment funds	-	640,453	640,453	-	259,312	259,312
Participation units in real estate funds	-	263,746	263,746	-	243,680	243,680
Properties	-	282,437	282,437	-	282,673	282,673
Loans and advances to credit institutions and others	-	434,977	434,977	-	465,227	465,227
	1,495,908	1,721,282	3,217,190	1,611,064	1,513,266	3,124,330

The caption Shares includes an investment of 2.71% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 30 September 2017 amounts to Euros 94,382,000 (31 December 2016: 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 2016.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 30 September 2017, amounts to Euros 281,996,000 (31 December 2016: Euros 281,991,000), mostly a set of properties called "Taguspark" whose book value as at 30 September 2017 amounts to Euros 269,292,000 (31 December 2016: 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 renewals of the current lease.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	Sep 2017 Euros '000	**Dec 2016 Euros '000**
Fixed income securities	130,544	129,966
Loans and advances to credit institutions and others	323,730	351,766
	454,274	481,732

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	Sep 2017 Euros '000	**Dec 2016 Euros '000**
Balance as at 1 January	(31,681)	(22,182)
Recognised in the income statement:		
Changes occurred in the Collective Labour Agreement	(39,997)	(172,262)
Service cost	(11,996)	(741)
Interest cost / (income) net of the balance liabilities coverage	3,402	4,502
Cost with early retirement programs	7,736	4,164
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(1,294)	(1,231)
Recognised in the statement of comprehensive income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	(94,876)	170,384
Difference between expected and effective obligations	20,212	20,138
Arising from changes in actuarial assumptions	-	112,122
Contributions to the fund	-	(125,000)
Payments	(15,208)	(21,575)
Balance at the end of the period	(163,702)	(31,681)

During the first nine months of 2017, no contributions were made to the Pension Fund by the Group's companies (31 December 2016: contributions in cash of Euros 125,000,000).

In accordance with IAS 19, as at 30 September 2017, the Group accounted post-employment benefits as a gain in the amount of Euros 42,149,000 (30 September 2016: loss of Euros 2,024,000), which is analysed as follows:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Current service cost	(11,996)	(280)
Net interest cost in the liability coverage balance	3,402	3,378
Cost / (income) with early retirement programs and mutually agreed terminations	6,442	(889)
Changes occurred in the Collective Labour Agreement	(39,997)	-
Others	-	(185)
(Income) / Cost of the period	(42,149)	2,024

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 2016: Euros 3,837,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 39), are analysed as follows:

	Sep 2017 Euros '000	Dec 2016 Euros '000
Balance as at 1 January	3,837	4,245
Charge / (Write-back)	-	(408)
Balance at the end of the period	3,837	3,837

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:

	Sep 2017	Dec 2016
Salary growth rate	0,25% until 2019 0,75% after 2019	0,25% until 2019 0,75% after 2019
Pensions growth rate	0% until 2019 0,5% after 2019	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women	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 (a)	66 years and 3 months	66 years and 2 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The retirement age is variable. In 2017 it is 66 years and 3 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 actuarial calculation, 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 30 September 2017 and 31 December 2016, the Bank used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2016 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. As at 30 September 2017, no changes were made to these actuarial assumptions.

Net actuarial gains amounts to Euros 74,664,000 (31 December 2016: actuarial losses amounts to Euros 302,644,000) 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			
	Sep 2017		Dec 2016	
	Values effectively verified in %	Euros '000	Values effectively verified in %	Euros '000
Deviation between expected and actual liabilities		20,212		20,138
Changes on the assumptions:				
Discount rate		-		224,619
Salary growth rate and total salary rate for Social Security purposes		-		(88,973)
Pensions increase rate		-		(39,621)
Mortality tables		-		24,537
Other changes*		-		(8,440)
Return on Fund	5.56%	(94,876)	-2.62%	170,384
		(74,664)		302,644

(*) 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 30 September 2017, the actuarial losses not resulting from changes in assumptions amount to Euros 20,212,000 (31 December 2016: Euros 20,138,000).

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) 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 43,000 (31 December 2016: Euros 48,000) related to this contribution.

48. Consolidate Balance Sheet and Income Statement by operational 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:

- 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 and Investment Banking segment includes:

- 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 50,000,000, 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;
- 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 30 September 2017, 70% of this portfolio benefited from asset backed loans, including 70% 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.

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, is based on Basel III methodology, in accordance with the CRD IV/CRR, with reference to 30 September 2017 and 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 30 September 2017. Information relating to prior periods is restated whenever it 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 30 September 2017, the net contribution of the major operational segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment		Non-core		
	Retail in Portugal	Foreign business (1)	Total	banking in Portugal	Private banking	business portfolio	Other	Consolidated
Income statement								
Interest and similar income	352,557	627,155	979,712	244,276	28,698	87,787	91,339	1,431,812
Interest expense and similar charges	(48,147)	(212,060)	(260,207)	(48,776)	(11,415)	(66,136)	(22,076)	(408,610)
Net interest income	304,410	415,095	719,505	195,500	17,283	21,651	69,263	1,023,202
Commissions and other income	302,264	190,146	492,410	130,549	52,517	7,192	(42,632)	640,036
Commissions and other costs	(11,596)	(96,423)	(108,019)	(6,524)	(4,141)	(21)	(123,484)	(242,189)
Net commissions and other income	290,668	93,723	384,391	124,025	48,376	7,171	(166,116)	397,847
Net gains arising from trading activity	11	64,920	64,931	-	(19,232)	-	69,300	114,999
Share of profit of associates under the equity method	-	24,392	24,392	-	-	-	32,399	56,791
Gains / (losses) arising from the sale of subsidiaries and other assets	-	2,782	2,782	-	-	-	(1,323)	1,459
Net operating revenue	595,089	600,912	1,196,001	319,525	46,427	28,822	3,523	1,594,298
Staff costs and administrative costs	351,846	238,248	590,094	67,716	28,893	14,101	(45,922)	654,882
Amortizations and depreciations	1,785	15,093	16,878	451	120	14	22,252	39,715
Operating expenses	353,631	253,341	606,972	68,167	29,013	14,115	(23,670)	694,597
Impairment for credit and financial assets	(51,149)	(68,310)	(119,459)	(186,984)	(2,209)	(178,040)	(20,387)	(507,079)
Other impairments and provisions	(45)	(1,437)	(1,482)	143	1	(25,597)	(94,489)	(121,424)
Net income / (loss) before income tax	190,264	277,824	468,088	64,517	15,206	(188,930)	(87,683)	271,198
Income tax	(55,868)	(60,534)	(116,402)	(17,989)	(9,732)	55,888	25,124	(63,111)
Income / (loss) after income tax from continuing operations	134,396	217,290	351,686	46,528	5,474	(133,042)	(62,559)	208,087
Income / (loss) arising from discontinued operations (2)	-	-	-	-	-	-	1,250	1,250
Net income / (loss) for the period	134,396	217,290	351,686	46,528	5,474	(133,042)	(61,309)	209,337
Non-controlling interests	-	(79,511)	(79,511)	-	-	-	3,483	(76,028)
Net income / (loss) for the period attributable to Shareholders of the Bank	134,396	137,779	272,175	46,528	5,474	(133,042)	(57,826)	133,309

As at 30 September 2017, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Non-core business portfolio	Other	Consolidated
Balance sheet								
Cash and Loans and advances to credit institutions	10,159,950	1,185,054	11,345,004	289,631	2,414,788	4,224	(9,990,150)	4,063,497
Loans and advances to customers	16,769,284	12,041,032	28,810,316	10,608,947	531,665	7,038,299	377,951	47,367,178
Financial assets (2)	20,703	4,538,539	4,559,242	-	2,629	661,473	8,428,838	13,652,182
Other assets	175,331	582,899	758,230	53,817	15,012	911,280	6,168,535	7,906,874
Total Assets	27,125,268	18,347,524	45,472,792	10,952,395	2,964,094	8,615,276	4,985,174	72,989,731
Resources from other credit institutions	1,037,529	1,578,217	2,615,746	2,098,107	371,770	8,155,282	(4,055,391)	9,185,514
Resources from customers	24,530,959	14,627,252	39,158,211	8,097,529	2,468,856	270,198	695,565	50,690,359
Debt securities issued	820,786	276,815	1,097,601	528	44,074	3,007	1,950,971	3,096,181
Other financial liabilities	-	164,022	164,022	-	2,465	-	1,369,781	1,536,268
Other liabilities	43,268	426,170	469,438	44,410	8,187	4,461	896,865	1,423,361
Total Liabilities	26,432,542	17,072,476	43,505,018	10,240,574	2,895,352	8,432,948	857,791	65,931,683
Equity and non-controlling interests	692,726	1,275,048	1,967,774	711,821	68,742	182,328	4,127,383	7,058,048
Total Liabilities, Equity and non-controlling interests	27,125,268	18,347,524	45,472,792	10,952,395	2,964,094	8,615,276	4,985,174	72,989,731
Number of employees	4,781	8,461	13,242	609	269	148	1,551	15,819

(1) Includes the contribution associated with the Bank's investments in Angola, in Banco Millennium Atlântico, recorded since May 2016 by the equity method;
(2) 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 30 September 2017, 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 30 September 2016, the net contribution of the major operational segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Commercial banking			Companies, Corporate and Investment banking		Non-core business		
	Retail in Portugal	Foreign business (1)	Total	in Portugal	Private banking	portfolio	Other	Consolidated
Income statement								
Interest and similar income	386,471	537,327	923,798	275,069	31,235	116,448	82,972	1,429,522
Interest expense and similar charges	(98,615)	(189,826)	(288,441)	(65,955)	(16,248)	(88,878)	(63,012)	(522,534)
Net interest income	287,856	347,501	635,357	209,114	14,987	27,570	19,960	906,988
Commissions and other income	282,784	165,637	448,421	119,916	44,323	7,471	2,224	622,355
Commissions and other costs	(9,974)	(95,534)	(105,508)	(4,660)	(4,326)	(27)	(111,814)	(226,335)
Net commissions and other income	272,810	70,103	342,913	115,256	39,997	7,444	(109,590)	396,020
Net gains arising from trading activity	(53)	121,942	121,889	-	2,170	23,893	64,561	212,513
Share of profit of associates under the equity method	-	10,047	10,047	-	-	-	50,561	60,608
Gains / (losses) arising from the sale of subsidiaries and other assets	4	1,785	1,789	-	9	-	(6,041)	(4,243)
Net operating revenue	560,617	551,378	1,111,995	324,370	57,163	58,907	19,451	1,571,886
Staff costs and administrative costs	361,507	224,267	585,774	72,101	28,897	16,095	(17,512)	685,355
Amortizations and depreciations	1,595	15,631	17,226	368	140	14	19,253	37,001
Operating expenses	363,102	239,898	603,000	72,469	29,037	16,109	1,741	722,356
Impairment for credit and financial assets	(59,622)	(52,379)	(112,001)	(411,686)	(2,639)	(390,682)	(131,830)	(1,048,838)
Other impairments and provisions	(45)	(8,649)	(8,694)	45	-	(6,445)	(49,085)	(64,179)
Net income / (loss) before income tax	137,848	250,452	388,300	(159,740)	25,487	(354,329)	(163,205)	(263,487)
Income tax	(40,650)	(65,068)	(105,718)	47,259	(7,345)	104,527	29,490	68,213
Income / (loss) after income tax from continuing operations	97,198	185,384	282,582	(112,481)	18,142	(249,802)	(133,715)	(195,274)
Income / (loss) arising from discontinued operations (2)	-	36,806	36,806	-	-	-	8,421	45,227
Net income / (loss) for the period	97,198	222,190	319,388	(112,481)	18,142	(249,802)	(125,294)	(150,047)
Non-controlling interests	-	(107,729)	(107,729)	-	-	-	6,696	(101,033)
Net income / (loss) for the period attributable to Shareholders of the Bank	97,198	114,461	211,659	(112,481)	18,142	(249,802)	(118,598)	(251,080)

As at 31 December 2016, the net contribution of the major operational segments, for the balance sheet, is analysed as follows:

	Retail in Portugal	Foreign business (1)	Total	Companies, Corporate and Investment banking in Portugal	Private banking	Non-core business portfolio	Other	Consolidated
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

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(2) 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;
(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 is reflected, in Foreign business, Euros 2 million and Euros 128 million in Other Portugal, as described in note 30.

As at 30 September 2017, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal									
	Retail banking	**Companies, Corporate and Investment banking**	**Private banking**	**Non-core business portfolio**	**Other**	**Total**	**Poland**	**Mozambique**	**Other (1)**	**Consolidated**
Income statement										
Interest and similar income	352,557	244,276	17,499	87,787	91,339	793,458	418,598	215,069	4,687	1,431,812
Interest expense and similar charges	(48,147)	(48,776)	(5,763)	(66,136)	(22,076)	(190,898)	(131,076)	(86,887)	251	(408,610)
Net interest income	304,410	195,500	11,736	21,651	69,263	602,560	287,522	128,182	4,938	1,023,202
Commissions and other income	302,264	130,549	30,812	7,192	(42,632)	428,185	148,274	41,871	21,706	640,036
Commissions and other costs	(11,596)	(6,524)	(161)	(21)	(123,484)	(141,786)	(82,155)	(14,267)	(3,981)	(242,189)
Net commissions and other income	290,668	124,025	30,651	7,171	(166,116)	286,399	66,119	27,604	17,725	397,847
Net gains arising from trading activity	11	-	-	-	69,300	69,311	36,968	8,297	423	114,999
Share of profit of associates under the equity method	-	-	-	-	32,399	32,399	-	-	24,392	56,791
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	-	-	(1,323)	(1,323)	2,691	91	-	1,459
Net operating revenue	595,089	319,525	42,387	28,822	3,523	989,346	393,300	164,174	47,478	1,594,298
Staff costs and administrative costs	351,846	67,716	11,572	14,101	(45,922)	399,313	180,299	57,949	17,321	654,882
Amortizations and depreciations	1,785	451	5	14	22,252	24,507	9,356	5,737	115	39,715
Operating expenses	353,631	68,167	11,577	14,115	(23,670)	423,820	189,655	63,686	17,436	694,597
Impairment for credit and financial assets	(51,149)	(186,984)	(1,888)	(178,040)	(20,387)	(438,448)	(45,251)	(23,059)	(321)	(507,079)
Other impairments and provisions	(45)	143	-	(25,597)	(94,489)	(119,988)	(4,167)	2,730	1	(121,424)
Net income / (loss) before income tax	190,264	64,517	28,922	(188,930)	(87,683)	7,090	154,227	80,159	29,722	271,198
Income tax	(55,868)	(17,989)	(8,330)	55,888	25,124	(1,175)	(41,374)	(19,339)	(1,223)	(63,111)
Income / (loss) after income tax from continuing operations	134,396	46,528	20,592	(133,042)	(62,559)	5,915	112,853	60,820	28,499	208,087
Income / (loss) arising from discontinued operations (2)	-	-	-	-	1,250	1,250	-	-	-	1,250
Net income / (loss) for the period	134,396	46,528	20,592	(133,042)	(61,309)	7,165	112,853	60,820	28,499	209,337
Non-controlling interests	-	-	-	-	3,483	3,483	(56,314)	(20,653)	(2,544)	(76,028)
Net income / (loss) for the period attributable to Shareholders	134,396	46,528	20,592	(133,042)	(57,826)	10,648	56,539	40,167	25,955	133,309

As at 30 September 2017, 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	Non-core business portfolio	Other	Total	Poland	Mozambique	Other (1)	Consolidated
Balance sheet										
Cash and Loans and advances to credit institutions	10,159,950	289,631	1,526,691	4,224	(9,990,150)	1,990,346	935,730	462,975	674,446	4,063,497
Loans and advances to customers	16,769,284	10,608,947	220,152	7,038,299	377,951	35,014,633	11,056,432	984,601	311,512	47,367,178
Financial assets (2)	20,703	-	-	661,473	8,428,838	9,111,014	4,168,113	370,426	2,629	13,652,182
Other assets	175,331	53,817	10,881	911,280	6,168,535	7,319,844	208,145	163,194	215,691	7,906,874
Total Assets	27,125,268	10,952,395	1,757,724	8,615,276	4,985,174	53,435,837	16,368,420	1,981,196	1,204,278	72,989,731
Resources from other credit institutions	1,037,529	2,098,107	-	8,155,282	(4,055,391)	7,235,527	1,631,564	94,914	223,509	9,185,514
Resources from customers	24,530,959	8,097,529	1,686,599	270,198	695,565	35,280,850	13,166,619	1,460,633	782,257	50,690,359
Debt securities issued	820,786	528	44,074	3,007	1,950,971	2,819,366	276,815	-	-	3,096,181
Other financial liabilities	-	-	-	-	1,369,781	1,369,781	164,022	-	2,465	1,536,268
Other liabilities	43,268	44,410	1,576	4,461	896,865	990,580	300,665	125,505	6,611	1,423,361
Total Liabilities	26,432,542	10,240,574	1,732,249	8,432,948	857,791	47,696,104	15,539,685	1,681,052	1,014,842	65,931,683
Equity and non-controlling interests	692,726	711,821	25,475	182,328	4,127,383	5,739,733	828,735	300,144	189,436	7,058,048
Total Liabilities, Equity and non-controlling interests	27,125,268	10,952,395	1,757,724	8,615,276	4,985,174	53,435,837	16,368,420	1,981,196	1,204,278	72,989,731
Number of employees	4,781	609	192	148	1,551	7,281	5,852	2,609	77	15,819

(1) Includes the contribution associated with the Bank's investments in Angola, in Banco Millennium Atlântico, recorded since May 2016 by the equity method;
(2) 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 30 September 2017, 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 30 September 2016, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

(Thousands of Euros)

	Portugal									
	Retail banking	**Companies, Corporate and Investment banking**	**Private banking**	**Non-core business portfolio**	**Other**	**Total**	**Poland**	**Mozambique**	**Other [1]**	**Consolidated**
Income statement										
Interest and similar income	386,471	275,069	21,113	116,448	82,972	882,073	389,241	153,744	4,464	1,429,522
Interest expense and similar charges	(98,615)	(65,955)	(9,948)	(88,878)	(63,012)	(326,408)	(142,572)	(52,911)	(643)	(522,534)
Net interest income	287,856	209,114	11,165	27,570	19,960	555,665	246,669	100,833	3,821	906,988
Commissions and other costs	282,784	119,916	23,081	7,471	2,224	435,476	121,220	44,417	21,242	622,355
Commissions and other costs	(9,974)	(4,660)	(256)	(27)	(111,814)	(126,731)	(78,015)	(17,519)	(4,070)	(226,335)
Net commissions and other income	272,810	115,256	22,825	7,444	(109,590)	308,745	43,205	26,898	17,172	396,020
Net gains arising from trading activity	(53)	-	-	23,893	64,561	88,401	98,283	23,658	2,171	212,513
Share of profit of associates under the equity method	-	-	-	-	50,561	50,561	-	-	10,047	60,608
Gains / (losses) arising from the sale of subsidiaries and other assets	4	-	-	-	(6,041)	(6,037)	1,697	88	9	(4,243)
Net operating revenue	560,617	324,370	33,990	58,907	19,451	997,335	389,854	151,477	33,220	1,571,886
Staff costs and administrative costs	361,507	72,101	11,244	16,095	(17,512)	443,435	168,468	55,799	17,653	685,355
Amortizations and depreciations	1,595	368	5	14	19,253	21,235	9,464	6,167	135	37,001
Operating expenses	363,102	72,469	11,249	16,109	1,741	464,670	177,932	61,966	17,788	722,356
Impairment for credit and financial assets	-	-	-	-	-	-	-	-	-	-
Other impairments and provisions	(45)	45	-	(6,445)	(49,085)	(55,530)	(8,791)	142	-	(64,179)
Net income / (loss) before income tax	197,470	251,946	22,741	36,353	(31,375)	477,135	203,131	89,653	15,432	785,351
Income tax	(40,650)	47,259	(6,244)	104,527	29,490	134,382	(44,791)	(20,276)	(1,102)	68,213
Income / (loss) after income tax from continuing operations	156,820	299,205	16,497	140,880	(1,885)	611,517	158,340	69,377	14,330	853,564
Income / (loss) arising from discontinued operations [2]	-	-	-	-	1,092	1,092	-	-	44,135	45,227
Net income / (loss) for the period	156,820	299,205	16,497	140,880	(793)	612,609	158,340	69,377	58,465	898,791
Non-controlling interests	-	-	-	-	6,696	6,696	(61,514)	(17,802)	(28,413)	(101,033)
Net income / (loss) for the period attributable to Shareholders	156,820	299,205	16,497	140,880	5,903	619,305	96,826	51,575	30,052	797,758

As at 31 December 2016, 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	Non-core business portfolio	Other	Total	Poland	Mozambique	Other [1]	Consolidated
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

(1) Includes the activity of the subsidiary in Angola, considered as discontinued operation;
(2) 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;
(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 Mozambique is Euros 2 million and Euros 128 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:

	Sep 2017 Euros '000	Sep 2016 Euros '000
Net contribution:		
Retail banking in Portugal	134,396	97,198
Companies, Corporate and Investment banking	46,528	(112,481)
Private Banking	20,592	14,922
Non-core business portfolio	(133,042)	(249,802)
Foreign business (continuing operations) (1)	202,172	188,604
Non-controlling interests (2)	(79,511)	(107,729)
	191,135	(169,288)
Income from discontinued or discontinuing operations (3)	-	44,135
	191,135	(125,153)
Amounts not allocated to segments:		
Interests of hybrid instruments	(6,343)	(49,146)
Net interest income of the bond portfolio	29,212	30,045
Interests written off	12,909	(1,034)
Own credit risk	46	4,734
Foreign exchange activity	25,757	20,056
Equity accounted earnings	32,399	50,561
Impairment and other provisions (4)	(114,875)	(180,914)
Operational costs (5)	23,670	(1,741)
Mandatory contributions	(57,860)	(51,727)
Gains on the acquisition of Visa Europe by Visa Inc. (1)	-	26,353
Gain arising from the sale of Banco Millennium Angola	-	7,329
Taxes (6)	25,124	29,489
Income from discontinued or discontinuing operations (7)	1,250	1,092
Non-controlling interests	3,483	6,696
Others (8)	(32,598)	(17,720)
Total not allocated to segments	(57,826)	(125,927)
Consolidated net income	133,309	(251,080)

(1) The net contribution of the Foreign Business (continuing operations) segment includes, in the first nine months of 2016, the gain of Euros 64.7 million arising 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, as referred in note 7.

(2) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola (2016). Does not include values not allocated to the segments.

(3) In 2016, includes the book value of the subsidiary in Angola considered as a discontinued operation. Concerning Angola, only includes the figures of the first three 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 does not include the value of the Other segment (Portugal).

(4) Includes provisions for property in kind and for funds specialized in the recovery of loans, administrative infractions, various contingencies and other unallocated to business segments.

(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) Gains arising from the sale of Millennium bcp Gestão de Ativos - Sociedade Gestora de Fundos de Investimento, S.A.

(8) It includes other operations not allocated previously namely funding for non-interest bearing assets and strategic financial investments, net commissions and other operating income / expenses and other income from financial operations.

49. 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. 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. The Constitutional Court denied the appeal and the decision became final.

On 4 July 2017, the Competition Authority notified the Bank on the decision regarding the withdrawal of the suspension concerning the access to documents deemed as confidential and of the extension of the term for the making of a decision on the illicit act for more 40 days. The Bank has already present its reply.

2. 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 indexed in CHF. 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. At a hearing on 15 March 2017 the Regional Court issued decision for the case to be heard in group action proceedings. On 18 April 2017 the Bank filed an appeal against the above decision; currently the date of reviewing the case by the the Court of Appeal in Warsaw has not been scheduled yet. On 30 June 2017 the Claimant filed a submission with the Regional Court in Warsaw, extending the claim again by further 676 group members. The new value of the subject matter of the dispute was indicated as approx. PLN 132.7 million (Euros 30,8 million, including the values provided in the statement of claim and the previous submissions concerning extension of the claim dated 4 March 2015 and 17 February 2016). On 28 September 2017 the Court of Appeal in Warsaw issued a decision dismissing the Bank's appeal against the decision the Regional Court in Warsaw dated 15 March 2017; thus, the decision for the case to be heard in group action proceedings became final.

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 0.83 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 30 March 2017 the Regional Court in Warsaw dismissed Bank's motion to oblige the plaintiff to provide security for costs of proceedings. On 10 April 2017 Bank filed a complaint to the Court of Appeal in Warsaw against the decision dismissing the motion to provide security. The decision is final.

3. 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 (Euros 34.8 million) and of PLN 521.9 million (Euros 121.2 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. As regards the case brought by PCZ, the Wrocław Regional Court (first instance) on 7 April 2017 issued a verdict favorable to Bank Millennium by rejecting the case.

4. On 21 March 2017, a lawsuit was filed against the subsidiary Bank Millennium by a client in which the amount of PLN 200 million (Euros 46.5 million) was claimed for the payment of damages and compensation following the blocking of accounts in the context of insolvency proceedings. The process is currently at an early stage of assessment. In the Bank's opinion, the probability of the customer winning the process is marginal.

5. 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 66,900 million (Euros 15,500 million).

On 2 August 2016 another presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, this time mainly focusing on repayment part of fx spreads charged on the disbursement of the credit and in foreign exchange transactions related to the payment of mortgage loans in foreign currency. 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.

On 1 August 2017, the Polish president introduced a bill to amend the Law to support borrowers in difficult financial situations who obtained mortgage loans. The proposed law is designed to facilitate the provision of assistance to people who, for objective reasons, is in a difficult financial situation, and introduces a new instrument which encourages and supports the voluntary restructuring of mortgage loans in foreign currency and determines the mechanisms for their financing. This bill was initially positively evaluated by the Polish Financial Supervisory Authority and the National Bank of Poland.

In these circumstances, it is not possible at this time to assess the actual entry into force and content of this (these) bill (s) of law, as well as the impact of the bill (s), but the implementation of some or all of the measures in it, may have a significant impact on the results and capital ratios of the banks, including the subsidiary Bank Millennium.

As at 30 September 2017, 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.

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. The proceedings are waiting for the schedule of a prior hearing or the issue of a conclusive opening order.

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, the Bank of 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 (RGICSF), 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 the Bank of 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 the Bank.

As announced on 29 December 2015, the Bank of 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, the Bank of 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, the Bank of Portugal made a communication about the sale of Novo Banco, where it states the following:

"The Bank of Portugal selected today the company Lone Star to conclude the sale of Novo Banco. The sale agreement documentation has already been 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, of which Euros 750 million 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 up to a maximum of Euros 3,890 million, according to which the Resolution Fund, as shareholder, commits to carry out capital injections if certain cumulative conditions materialize, 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.

On 7 July 2017, the European Commission declared its non-opposition to this sale operation.

On 2 October 2017, by Resolution of the Council of Ministers (Resolution n. 151-A / 2017), the Portuguese State, as the ultimate guarantor of financial stability, is authorized to enter into a framework agreement with the Resolution Fund, with a view to making financial resources available to the Resolution Fund, if and when it is considered necessary, in order to satisfy any contractual obligations that may arise from the sale of the 75% of share capital of Novo Banco.

On 18 October 2017, according to a press release of Banco de Portugal, and following the resolution of the Council of Ministers n.° 151-A/2017, on 2 October 2017, Banco de Portugal and the Resolution Fund concluded the sale of Novo Banco to Lone Star, with an injection by the new shareholder of Euros 750 million, which will be followed by a further injection of Euros 250 million to be delivered by the end of 2017.

As of this date, Novo Banco is held by Lone Star and the Resolution Fund, which hold 75% and 25% of the share capital respectively.

Resolution measure of Banif – Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of the Bank of 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, for which the Oitante has already made a partial early repayment in the amount of Euros 90 million.

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.

In a statement of 21 July 2016, the Resolution Fund announced it had proceeded to the early partial repayment, amounting to Euros 136 million, of the loan obtained from the State in December 2015 to finance the resolution measures applied to Banif. This amount corresponds to the income of the contribution collected, until 31 December 2015, from the institutions covered by the Regulation of the Single Resolution Mechanism that was not transferred to the Single Resolution Fund. This amount will be paid to the Single Resolution Fund by credit institutions that are covered by this scheme over a period of 8 years, starting in 2016.

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, position which is believed unchanged as of 30 September 2017 (however amended with the above mentioned sale to Lone Star).

Within the scope of these measures, the Resolution Fund asked for loans and took on other responsibilities and contingent liabilities, including:
- 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 granted to 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 the Bank) and from the contribution over the banking sector by Law 55-A/2010. It also provides for the possibility of the member of the Government in charge of finances determining, issuing an ordinance, that the participating institutions should make special contributions, in the situations foreseen in the applicable legislation, namely in case of the Resolution Fund not having own resources for fulfilling its obligations.

Pursuant to Decree-Law no. 24/2013 of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund, provided for in the RGICSF, the Bank has been proceeding, since 2013, to the mandatory contributions, as provided for in the decree-law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the RF should be recognised 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 RF 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. The Instruction No. 21/2016 of the Bank of Portugal, published on 26 December established the base rate to be effective in 2017 for the determination of periodic contributions to the FR by 0.0291%.

Thus, during the first nine months of 2017, the Group made periodic contributions to the Resolution Fund in the amount of Euros 8,490,000. The amount related to the contribution on the banking sector for the first nine months of 2017 was Euros 31,037,000. 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, in the first nine months of 2017, attributable to the Group was Euros 21,466,000, of which the Group delivered Euros 18,246,000 and the remaining was constituted as irrevocable payment commitment. 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 million 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 Minister of Finance also announced that increases in the 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 contributory effort required to the banking sector at 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. were changed .” These loans in the amount of Euros 4,953 million, of which Euros 4,253 million granted by the Portuguese State and Euros 700 million granted by a group of banks.
- “Those 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 sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 18 October 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 the Bank, 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 interim financial statements as at 30 September 2017 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. On 31 December 2013, a Memorandum of Understanding was signed with the Trade Unions to implement a temporary adjustment process, which will allow BCP to reach the targets agreed by the EC with the Portuguese State to reduce staff costs. This agreement, which entered into force on 1 July 2014, in addition to reducing the remuneration, suspends the promotions, progressions and future diuturnities that should be paid by the end of 2017. This agreement also foresees that this reduction of salaries will be returned to the employees, subject to the approval at the General Meeting of shareholders of the Bank, on proposal of the Executive Committee.

In the last week of 2016, the negotiation that had been held since October 2016 with some labour unions was completed with the objective of reviewing the Collective Labour Agreement ("CLA"), whose main objective was the Bank's ability to maintain adequately the evolution of short-term staff costs with the lowest possible impact on employees' lives.

This revision of the CLA, which has been in force since February 2017, covered several matters, among which the most relevant are (i) the commitment to anticipate, by July 2017, the salary replacement that was scheduled for January 2018 and (ii) to raise the retirement age in order to bring it into line with that of Social Security, which will make it possible to strengthen the sustainability of pension funds.

With the implementation of the Restructuring Plan, the Bank was able to anticipate the full repayment of public funding in February 2017 and for this reason, the Board of Directors decided to bring forward by the end of the transitional period of the wage adjustment to July 2017.

9. 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. Mozambique's 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 since December 2015, 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 existed debt guaranteed by the State of Mozambique in an amount over USD 1 billion that had not been disclosed to the IMF. Following this disclosure, the economic program supported by the IMF was suspended. According to an 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.

In a statement dated 16 January 2017 and 17 July 2017, the Ministry of Economy and Finance of Mozambique informed the bonds holders issued by the Republic of Mozambique "US$726.524 million, 10.5%, repayable securities in 2023" that the interest payment due on 18 January 2017 and 18 July 2017, would not be paid by the Republic of Mozambique.

In June 2017, the Attorney General's Office of the Republic of Mozambique published an Executive Summary regarding the above-mentioned external audit. On 24 June 2017, the IMF released in a statement that due to the existence of information gaps in this audit, an IMF mission would visit the country to discuss audit results and possible follow-up measures. Following this visit, the IMF requested the Government of Mozambique to obtain additional information on the use of the funds.

According to public information provided by the IMF, there are credits granted in default to Mozambican companies, non-state, guaranteed by the Mozambican State.

This situation does not change the expectations of the Group on the ability of the Government of Mozambique and public enterprises to fully reimburse their commitments and about the development of the activity of their subsidiary Banco Internacional de Moçambique (BIM).

As at 30 September 2017, considering the 66.7% indirect investment in BIM Group, the Bank's interest in BIM's equity amounted to Euros 246,198,000, being the exchange translation reserve associated with this participation a negative amount of Euros 156,934,000. BIM's contribution to consolidated net income for the first nine months of 2017, attributable to the shareholders of the Bank, amounts to Euros 40,364,000

On that date, the subsidiary BIM's exposure to the State of Mozambique includes public debt securities denominated in metical classified as Financial assets available for sale financial assets and Financial assets held to maturity in the amounts of Euros 281,558,000 and Euros 88,055,000 respectively. These public debt securities mostly have a maturity of less than 1 year.

As at 30 September 2017, the Group has also registered in the balance Loans and advances to costumers, a direct exposure to the Mozambican State in the amount of Euros 370,977,000 (of which Euros 288,834,000 are denominated in metical, Euros 81,755,000 denominated in USD and Euros 388,000 denominated in Euros) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 290.351.000 (of which Euros 141,093,000 are denominated in metical and Euros 149,258,000 denominated in USD) and in the balance Guarantees granted and irrevocable commitments, an amount of Euros 31,044,000 (of which Euros 1,110,000 are denominated in metical and Euros 29,934,000 denominated in USD).

Ongoing discussions and inspections by the supervisor will lead to a reduction in the locally reported capital ratios due to certain locally applicable rules with no impact on the financial statements of BIM. Such locally reported ratios are, and will remain, comfortably above the required levels locally. These developments will have no bearing on the Group´s reported capital ratios or consolidated financial statements.

51. 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 Management companies and audited at year end, still being analysed by the Bank;
- 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:

	Sep 2017			
	Assets transferred Euros '000	Net assets transferred Euros '000	Received value Euros '000	Net gain / (loss) 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

	Dec 2016			
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Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
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	2,005,594	1,586,114	1,612,929	26,815

The Restructuring of the Fund activity segments are as follows: a) Tourism; b) Diversified; c) Real estate and tourism; d) Construction and e) Property.

The net gain/ (loss) was obtained at the date of the transfer of assets and was recorded in the item Net gains / (losses) arising from trading and hedging activities - Credit sales (note 6).

As at 30 September 2017, the assets received under the scope of these operations are comprised of:

	Sep 2017				
	Senior securities	Junior securities			
	Participation units (note 23) Euros '000	Participation units (note 23) Euros '000	Capital supplies (note 32) Euros '000	Capital supplementary contributions (note 32) Euros '000	Total Euros '000
Fundo Recuperação Turismo FCR					
Gross value	287,930	-	31,625	-	319,555
Impairment	(45,787)	-	(31,625)	-	(77,412)
	242,143	-	-	-	242,143
Fundo Reestruturação Empresarial FCR					
Gross value	85,209	-	-	-	85,209
Impairment	(6,105)	-	-	-	(6,105)
	79,104	-	-	-	79,104
FLIT-PTREL					
Gross value	300,639	-	38,154	2,939	341,732
Impairment	(4,578)	-	(38,154)	(2,939)	(45,671)
	296,061	-	-	-	296,061
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(196,886)	(36,292)	-	-	(233,178)
	6,286	-	-	-	6,286
Fundo Recuperação FCR					
Gross value	204,269	-	78,514	-	282,783
Impairment	(77,624)	-	(78,514)	-	(156,138)
	126,645	-	-	-	126,645
Fundo Aquarius FCR					
Gross value	138,045	-	-	-	138,045
Impairment	(10,490)	-	-	-	(10,490)
	127,555	-	-	-	127,555
Discovery Real Estate Fund					
Gross value	150,409	-	-	-	150,409
Impairment	(8,268)	-	-	-	(8,268)
	142,141	-	-	-	142,141
Fundo Vega FCR					
Gross value	47,087	-	69,883	-	116,970
Impairment	(1,902)	-	(69,883)	-	(71,785)
	45,185	-	-	-	45,185
Total Gross value	1,416,760	36,292	218,176	2,939	1,674,167
Total Impairment	(351,640)	(36,292)	(218,176)	(2,939)	(609,047)
Total	1,065,120	-	-	-	1,065,120

As at 31 December 2016, the assets received under the scope of these operations are comprised of:

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

52. List of subsidiary and associated companies of Banco Comercial Português Group

As at 30 September 2017, 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	–
BCP África, S.G.P.S., Lda.	Funchal	682,965,800	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
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 Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	90,911,185	EUR	Financial	100.0	34.1	–
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	37.1	–
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	–
Millennium BCP - Escritório de Representações e Serviços, Ltda.	São Paulo	52,270,768	BRL	Financial Services	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
MB Finance AB	Stockholm	500,000	SEK	Financial	100.0	50.1	–
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	11,737,399	EUR	Real-estate management	100.0	100.0	–
Monumental Residence - Investimentos Imobiliários, S.A.	Funchal	30,300,000	EUR	Real-estate management	100.0	100.0	–
Millennium bcp - Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	93.9	93.5	83.5
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	–
Servitrust - Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
Setelote - Aldeamentos Turísticos S.A.	Oeiras	200,000	EUR	Real-estate company	100.0	100.0	–
Irgossai - Urbanização e construção, S.A.	Oeiras	50,000	EUR	Real-estate company	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.	Oeiras	2,150,000	EUR	Real-estate company	100.0	100.0	–
Finalgarve – Sociedade de Promoção Imobiliária Turística, S.A.	Oeiras	250,000	EUR	Real-estate company	100.0	100.0	–
Fiparso – Sociedade Imobiliária S.A	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

(*) - Company classified as non-current assets held for sale.

As at 30 September 2017, 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	17,122,497,300	EUR	Real estate investment fund	100.0	100.0	100.0
Fundo Especial de Investimento Imobiliário Fechado Sand Capital	Oeiras	16,149,800,900	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
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	120,307,000	EUR	Venture capital fund	100.0	100.0	100.0

					Group		Bank
Subsidiary companies	**Head office**	**Nominal Value Units**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% 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	4,682,827,000	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	31,056,099	EUR	Real estate investment fund	100.0	100.0	100.0
Domus Capital– Fundo Especial de Investimento Imobiliário Fechado	Oeiras	2,600,000	EUR	Real estate investment fund	50.0	50.0	50.0
Predicapital – Fundo Especial de Investimento Imobiliário Fechado	Oeiras	1,800,000	EUR	Real estate investment fund	60.0	60.0	60.0

The Group held a set of securitization transactions regarding mortgage loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of IFRS 10.

As at 30 September 2017, the SPEs included in the consolidated accounts under the full consolidation method are as follows:

					Group		Bank
Special Purpose Entities	**Head office**	**Share capital**	**Currency**	**Activity**	**% economic interests**	**% effective held**	**% 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 30 September 2017, 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**	**% economic interests**	**% effective held**	**% 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	92.0	61.4	–

As at 30 September 2017, 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	126,955,886	EUR	Banking	19.9	19.9	19.9
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	14.0	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.3	–
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	–
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	22.8	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 30 September 2017 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	–

During the first nine months of 2017, the Group liquidated its subsidiaries Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda , M Inovação - Fundo de Capital de Risco BCP Capital and Caracas Financial Services, Limited and the associated company Imbondeiro Development Corporation and sold the associated company Nanium SA.

As regards to the 3.6% investment held in Banque BCP (Luxembourg), S.A., it was no longer considered as associated company because the Group no longer maintains a significant influence on the bank.

Regarding the entries in the consolidation perimeter, were included the investment funds Domus Capital– Fundo Especial de Investimento Imobiliário Fechado and Predicapital – Fundo Especial de Investimento Imobiliário Fechado.

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Banco Comercial Português, S.A.,
Company open to public investment

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5,600,738,053.72 Euros

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