2017

First Half Report and Accounts

Pursuant to article 9 of Regulation 5/2008 of the CMVM, please find herein the transcription of the

REPORT AND ACCOUNTS FOR THE FIRST HALF OF 2017

BANCO COMERCIAL PORTUGUÊS, S.A.

Company open to public investment
Registered Office: Praça D. João I, 28, 4000-295 Porto - Share Capital 5,600,738,053.72 Euros
Registered at Porto Commercial Registry, under the single registration and tax identification number 501 525 882

The First Half of 2017 Report and Accounts is a translation of the “Relatório e Contas do 1º Semestre 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 1º Semestre de 2017” prevails.

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

REPORT AND ACCOUNTS FOR THE FIRST HALF-YEAR OF 2017

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 first six months of 2017 were marked by the acceleration of the economic recovery in Portugal, with several institutions revising upwards their economic growth projections. In these six months the exporting sectors, such as tourism, continued to increase their contribution to the improvement of the Portuguese economy, together with the recovery of investment.

The normalization of the activities carried out by domestic banks was evident in the first six months of 2017. The Banks operating in Portugal have defined their future and, at this moment, are applying strict restructuring efforts to adapt their business plan.

Millennium bcp, which completed its restructuring plan successfully, benefited from the improved prospects for the Portuguese economy, with the normalization of the activities of the Banks operating in Portugal and with the already proven capacity to generate operating gains in a consistent manner.

BCP's results in the first six months of 2017 amounted to 89.9 million Euros, which compares with a 197 million Euros loss in the same period of 2016. The results are characterized as being of a recurrent nature, generated by an increase in the net interest income and by the ongoing reductions of operating costs: core income (net interest income + fees – operating costs) grew 27.8%, reaching 559 million Euros, with a cost-to-core income of 44.6%. During these six months it was also possible to continue to reduce Non-Performing Exposures (NPEs) at a very good pace, which is crucial for the Bank's sustainability, with NPEs showing a decrease of over 700 million Euros during the first six months of 2017, with coverage rates above 100%.

The international operations, notwithstanding more moderate economic growth paces in Angola and Mozambique, are recording a very positive evolution. The contribution of the international operations to the Group amounted to 87.1 million Euros.

In Poland, Bank Millennium continues to invest in innovation and in an increasingly digital business model. The Bank posted earnings of 73.7 million Euros in the first half year of 2017. In Mozambique, Millennium bim' earnings increased 42.6% in local currency, amounting to 42.8 million Euros. In Angola, the first six months of 2017 were positive for Banco Millennium Atlântico, which contributed 15.8 million Euros to the results recorded by Millennium bcp. The Bank's business and number of Clients are growing in line with the business plan set forth on the occasion of the merger.

In terms of consolidated business, the first six months evolved favourably, particularly in what concerns new Clients. The number of Clients in the Group grew 4.4%, reaching more than 5.2 million. In Portugal, the Bank was able to attract more than 110 thousand new Clients, showing that it was able to recover its capacity to attract new business. The implementation of a strategy based on digital is also showing significant results: the number of digital Clients now surpasses 2.2 million, more than 700 thousand of which are Portugal, evidencing a 28% growth versus 2016. The Bank was recently considered by *Global Finance* magazine as the "Best Digital Bank" in Portugal and in Poland. Regarding awards, another highlight is the award for Millennium Bim as the "Best Bank in Mozambique" by *Euromoney*, the same publication which considered Bank Millennium as the "Best Bank in Social Responsibility" in Poland.

These first six months confirmed the Bank's capacity to generate business results, quarter after quarter. The evolution of the business indicators is positive and increases our trust in achieving the targets we set out for 2018. In general terms we are well aligned with the defined objectives.

Millennium bcp is in a unique position in the banking industry in Portugal and in the countries where it operates and, we reaffirm its support to society, families and companies.

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

António Monteiro
Chairman of the Board
of Directors

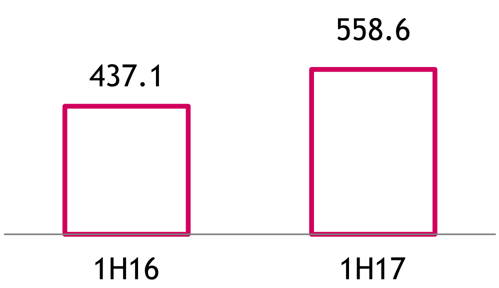
Information on the BCP Group

BCP IN THE FIRST HALF-YEAR OF 2017

MILLENNIUM BCP: A SOLID BANK...

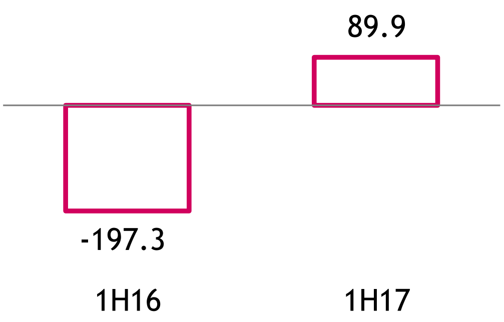
Core net income*

(*Million euros*)



Net income

(*Million euros*)



Individuals

		Growth YoY			Growth YoY
Customer Base	Over 200,000 new Customers	+4.4%	Clientes Digitais	2.2 million of active digital Customers	+19%
	Over 100,000 Customers aquired	+21%		750,000 digital Customers	+28%

Companies (source: Data E - Market Research)

PORTUGAL 2020

Leading bank in funding

Preferred bank of exporting companies

Bank closest to its Customers, more innovating and with better products

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

... READY FOR THE FUTURE!

MAIN INDICATORS

FINANCIAL HIGHLIGHTS			Euro million
	30 Jun. 17	30 Jun. 16	Change 17/16
Balance sheet			
Total assets	73,024	73,068	-0.1%
Loans to customers (gross)	51,684	52,930	-2.4%
Total customer funds	66,070	62,823	5.2%
Balance sheet total customer funds	52,228	50,500	3.4%
Resources from customers	50,636	48,762	3.8%
Loans to customers, net / Resources from customers (1)	95%	102%	
Loans to customers, net / Balance sheet total customer funds	92%	97%	
Results			
Net income	89.9	(197.3)	145.6%
Net interest income	678.5	600.8	12.9%
Net operating revenues	1,048.8	1,059.4	-1.0%
Operating costs	450.2	484.1	-7.0%
Loan impairment charges (net of recoveries)	305.0	618.7	-50.7%
Other impairment and provisions	110.3	198.0	-44.3%
Income taxes			
Current	54.5	56.4	
Deferred	(11.1)	(134.7)	
Profitability			
Net operating revenues / Average net assets (1)	2.9%	2.8%	
Return on average assets (ROA) (2)	0.4%	-0.3%	
Income before tax and non-controlling interests / Average net assets (1)	0.5%	-0.5%	
Return on average equity (ROE)	3.3%	-8.8%	
Income before tax and non-controlling interests / Average equity (1)	5.8%	-7.2%	
Credit quality			
Overdue loans and doubtful loans / Total loans (1)	8.1%	9.7%	
Overdue loans and doubtful loans, net / Total loans, net (1)	1.2%	2.8%	
Credit at risk / Total loans (1)	10.1%	11.9%	
Credit at risk, net / Total loans, net (1)	3.4%	5.2%	
Impairment for loan losses / Overdue loans by more than 90 days	110.1%	93.9%	
Efficiency ratios (1) (3)			
Operating costs / Net operating revenues	45.2%	45.6%	
Operating costs / Net operating revenues (Portugal activity)	45.9%	47.5%	
Staff costs / Net operating revenues	25.3%	25.7%	
Capital (4)			
Common equity tier I phased-in	13.0%	12.3%	
Common equity tier I fully implemented	11.3%	9.7%	
Branches			
Portugal activity	596	646	-7.7%
Foreign activity	540	563	-4.1%
Employees			
Portugal activity	7,303	7,402	-1.3%
Foreign activity	8,506	8,496	0.1%

(1) According to Instruction from the Bank of Portugal no. 16/2004, as the currently existing version. 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 statement.

(2) Considering net income before non-controlling interests.

(3) Excludes specific items: Euro 23.7 million profit in staff costs related to Collective Labour Agreement negotiation net of restructuring costs, in 2017, and Euro 1.2 million from restructuring costs in 2016.

(4) Including earnings for the first half of the year.

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.

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

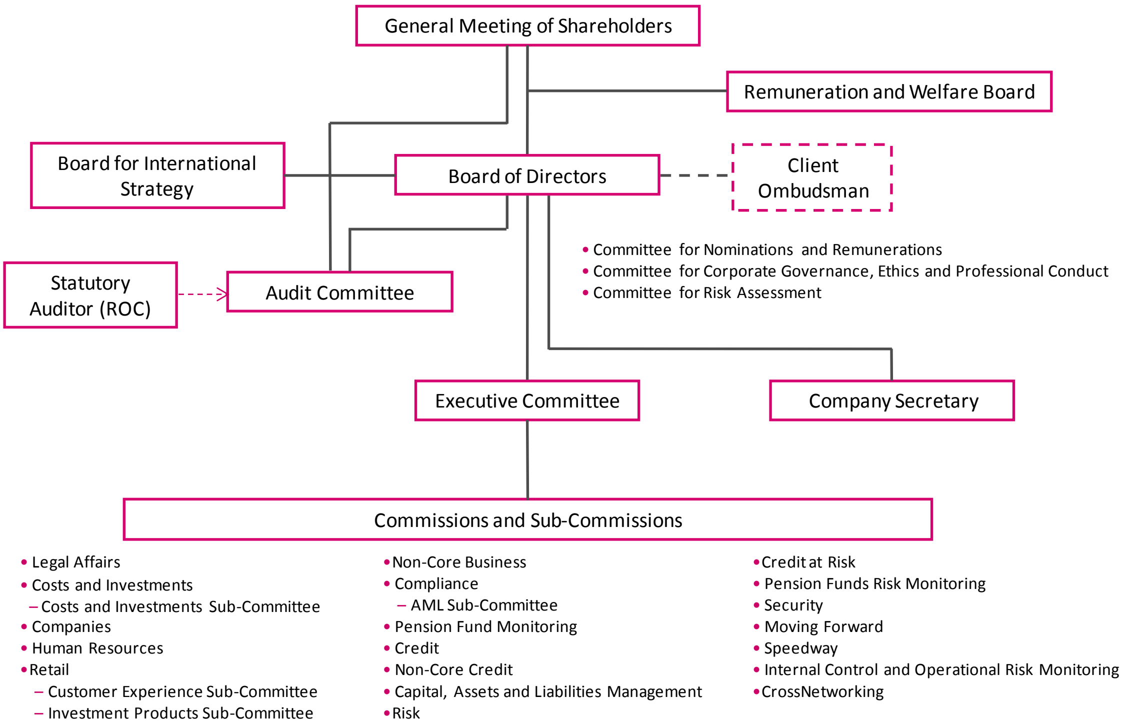
GOVERNANCE

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 FIRST 6 MONTHS OF 2017

JANUARY

- Resolution adopted by the Board of Directors on 9 January 2017,which would be ratified by the General Meeting of Shareholders, for co-opting Lingjiang Xu and João Nuno Palma to perform the functions of members of the Board of Directors, non-executive and executive, respectively, until the end of the ongoing term of office.
- Resolution adopted by the Board of Directors on 9 January 2017, with the prior favourable opinion of the Audit Committee, to increase the share capital from 4,268,817,689.20 Euros to 5,600,738,053.72 Euros to be made through a Rights Offering addressed to shareholders in the exercise of their preference rights and remaining investors who purchased subscription rights, through the issue of 14,169,365,580 new ordinary, nominative and book-entry shares without nominal value. The resulting number of ordinary shares of BCP reached 15,113,989,952.

FEBRUARY

- Early repayment to the Portuguese State, on 9 February 2017, of the remaining Core Tier 1 hybrid capital instruments amounting to 700 million Euros, which represents the return to normalisation of the activities carried out by BCP, and had been previously approved by the European Central Bank, provided that the share capital increase concluded by BCP on this date proved to be successful.
- Upwards review by S&P Global Ratings of the rating for LT unsecured senior debt from “B+” to “BB-”, following the upwards review of the BCP rating (Stand Alone Credit Profile - SACP) from “b+” to “bb-” and upwards review of the counterparty rating from “B+” to “BB-” and the subordinated debt rating from “CCC” to “B-”, after the completion of the share capital increase operation.

MARCH

- BCP Group confirmed in the Sustainability Index "Ethibel Sustainability Index (ESI) Excellence Europe” from Forum Ethibel.
- BCP is part of the new European Sustainability index, the "European Banks Index" from the analyst Standard Ethics.

APRIL

- Millennium bcp renewed its subscription to Movement ECO - Empresas Contra os Fogos, (Companies Against Fires) a project that aims to contribute to the prevention of forest fires and increasing public awareness towards risk behaviours.

MAY

- Issue of mortgage bonds, under the Covered Bonds Programme, amounting to 1.0 billion Euros, 5-year maturity, an issue price of 99.386% and a 0.75% interest rate per year, resulting in a 65 basis points spread per year, on the 5-year swap rate;
- The General Meeting of Shareholders was held on 10 May 2017 with the presence of Shareholders owning more than 54.17% of the respective share capital. Among the resolutions adopted, were the approval of the management report, of the individual and consolidated accounts concerning the 2016 financial year, the proposal for the appropriation of profit for the 2016 financial year, the approval of the statement on the Remuneration Policy of the Members of the Management and Supervision Bodies, the appointment of two new directors (Lingiang Xu as non-executive member of the Board of Directors and João Nuno de Oliveira Jorge Palma as executive member of the Board of Directors) and the election of the composition of the Board of the General Meeting of Shareholders for the triennial 2017/2019;
- Millennium bcp carried out an internal collection of paper in the wake of the campaign “Papel por Alimentos” (Paper for Food), a solidarity initiative by Entreajuda in favour of the Food Bank.

- Millennium bcp participated, at a national level, in the food collection promoted by the Food Bank.

JUNE

- Resolution of the Board of Directors dated 28 June 2017 regarding the co-optation of three new non-executive directors: Gu Xiaoxu, Li Cheng and Zhihua Shen, thus increasing the number of Directors to 22, 14 of which are non-executive.

SUBSEQUENT EVENTS

- On September 1, 2017, Banco Comercial Português informed that, after having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund (Fundo de Resolução) 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, which centers exclusively on the referred capitalization obligation, does not comprise the request by the Bank of, nor entail, the production of any suspending effects on the sale of Novo Banco, S.A. and, consequently, brings legally no impediment to such sale within the foreseen delays.

BCP SHARE

The first six months of 2017 were also globally positive for the stock markets. The presentation of robust activity indicators, in both industry and services, associated with a context featuring low interest rates, generated gains in the Euro area and in the USA. The reduction of the political risks in Europe was quite evident in the evolution shown by the Euro, which increased substantially versus currencies such as the USD (+8.2%). This reduction in risk encouraged consumers, analysts and investors, with impact on the economic performance where Portugal stood out, although the Euro appreciation has limited the income of exporting companies in the Euro area. On the other hand, in the USA, perception of political risk is on the rise and investors show some concern with the robustness of the Trump Administration, namely regarding its ability to implement its announced policies. The banking sector presented a good performance for the first six months of 2017 although conditioned by a context of low yields wherein the investors pay a higher price-to-book value ratio, however still below 1x PBV.

BCP Shares indicators

	Units	1H17	1H16
Adjusted prices			
Maximum price	(€)	0.2429	0.6459
Average price	(€)	0.1880	0.4449
Minimum price	(€)	0.1383	0.2261
Closing price	(€)	0.2357	0.2351
Shares and equity			
Number of ordinary shares	(M)	15,114	59,039
Shareholder's Equity attributable to the group	(M€)	5,948	4,159
Shareholder's Equity attributable to ordinary shares (1)	(M€)	5,888	4,099
Value per share			
Adjusted net income (EPS) (2) (3)	(€)	0.015	-0.329
Book value (4)	(€)	0.389	0.070
Market indicators			
Closing price to book value	(PBV)	0.61	0.26
Market capitalisation (closing price)	(M€)	3,562	1,075
Liquidity			
Turnover	(M€)	1,956	1,718
Average daily turnover	(M€)	15.4	13.5
Volume (5)	(M)	10,189	4,022
Average daily volume (5)	(M)	80.2	31.7
Capital rotation (6)	(%)	81.3%	88.0%

(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 half year average number of shares issued.

In the first six months of 2017, the BCP share increased 27.8%, exceeding the domestic reference index PSI 20, which registered gains of 10.1%, and the European banks index Eurostoxx 600 Banks, which recorded a 7.1% increase in value.

The BCP share started the year with losses, pursuant to the disclosure of the share capital increase amounting to 1.3 billion Euros in January 2017. However this trend was inverted and the BCP share began to recover after the completion of the share capital increase, the admission to trading of the new shares and the early repayment of the remaining value of capital hybrid instruments (700 million Euros).

Since 9 February, date of the admission to trading of the new shares, the BCP share price increased 60.7%, due to:

- A more positive environment for the European Banking sector, resulting from a more favourable political environment after the Dutch and French elections;
- The improvement of the macroeconomic environment in Portugal, due to the good results of the public deficit which stood at 2.0% of the GDP in 2016, an historically low figure which enabled Portugal to be released from the Excessive Deficits Procedure and enabled the upwards review of the GDP forecasts by Banco de Portugal and by the IMF;
- An improved perception by the market of the value of BCP.

However, the performance of the BCP share may have been conditioned by the following:

- The resolution of Banco Popular, purchased by Santander at the beginning of June which caused a transversal effect in the remaining Iberian Banks since the non-performing assets (NPA) credit cover ratio of the combined institution stood above the Iberian average;
- The market is uncertain regarding the probability and timing of the increase in interest rates by the ECB due, on one side, to the statements made by its president, Mario Draghi, reiterating that the monetary stimulus will continue and, on the other, to the robustness of the macroeconomic European indicators disclosed during the second quarter.

Absolute and Relative Performance

Absolute and relative performance

Index	1H17
Ação BCP	27.8%
PSI Financials	17.8%
PSI20	10.1%
IBEX 35	11.7%
CAC 40	5.3%
DAX	7.4%
FTSE 100	2.4%
MIB FTSE	7.0%
Eurostoxx 600 Banks	7.1%
Dow Jones	8.0%
Nasdaq 100	16.1%
S&P500	8.2%

Source: Euronext, Reuters, Bloomberg.

Liquidity

During the first six months of 2017 a volume of approximately 1.96 billion Euros in BCP shares were traded, corresponding to an average daily turnover of 15.4 million Euros. During this period, approximately 10.19 billion shares were traded (volumes adjusted due to the share capital increase), corresponding to an average daily volume of 80.2 million shares. The capital rotation index stood at 81.3% of the six-month average number of shares issued.

INDEXES THAT INCLUDE THE BCP

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

Indices weighting

Index	Weight	Bloomberg	Thomson Reuters
Iberian Index	0.90%	NEIBI	.NEIBI
Euronext 150	1.39%	N150	.N150
PSI 20	15.90%	PSI20	.PSI20
PSI Geral	5.87%	BVLX	.BVL
PSI Financials	64.62%	PSIFIN	.PTFIP

Source: Euronext, 30 June 2017

In addition, by the end of the first half of 2017, apart from these indexes, Millennium bcp was also part of the following sustainability indexes: Ethibel Excellence Europe, Ethibel EXCELLENCE Investment Register and Respect Index. BCP was also part of the first edition of the European Banks index, from the analyst Standard Ethics.

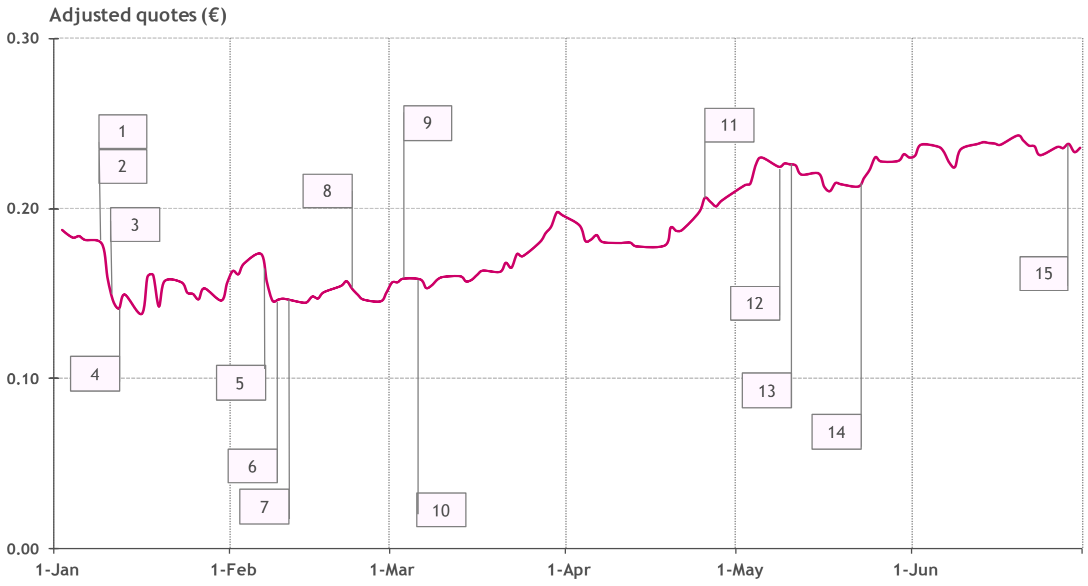
Sustainability Indices

MATERIAL INFORMATION AND IMPACT ON THE SHARE PRICE

The following table summarizes the relevant facts directly related with Banco Comercial Português which occurred during the first six months of 2017, as well as the price variations occurred on the following day and on the 5 subsequent days and the relative evolution versus the main reference domestic index and European indexes during the mentioned periods of time.

Nr.	Date	Material Events	Chg. +1D	Chg. vs. PSI20 (1D)	Chg. vs. DJS Banks (1D)	Chg. +5D	Chg. vs PSI20 (5D)	Chg. vs DJS Banks (5D)
1	9/Jan	Board of Directors resolution	-11.3%	-10.1%	-11.2%	-22.9%	-20.7%	-22.5%
2	9/Jan	Approval of rights offering	-11.3%	-10.1%	-11.2%	-22.9%	-20.7%	-22.5%
3	11/Jan	Calendar of events for 2017	-2.8%	-2.8%	-2.1%	10.6%	10.2%	10.9%
4	12/Jan	Roadshow presentation of the rights issue	5.7%	5.2%	3.7%	0.8%	1.1%	-0.1%
5	7/Feb	Registration of share capital increase	-7.0%	-6.9%	-6.2%	-7.6%	-8.5%	-9.2%
6	9/Feb	Repayment of hybrid capital instruments	0.3%	0.1%	1.1%	0.5%	-0.3%	-1.2%
7	10/Feb	Resignation of a member of the Board of Directors	-1.4%	-1.3%	-2.3%	2.6%	1.8%	1.1%
8	23/Feb	Upgrade from SP	-1.9%	-1.5%	-0.5%	4.9%	3.3%	3.5%
9	3/Mar	Bank Millennium results in 2016	-0.3%	0.2%	0.9%	0.6%	1.4%	-0.6%
10	6/Mar	2016 consolidated earnings	-3.2%	-3.1%	-2.9%	1.2%	1.5%	-1.3%
11	25/Apr	Bank Millennium Poland results in 1Q2017	-1.1%	-1.3%	-1.3%	4.1%	2.1%	3.6%
12	8/May	1Q2017 Consolidated Earnings	0.8%	0.4%	1.2%	-1.7%	-1.9%	-1.9%
13	10/May	Resolutions of the Annual General Meeting	-0.3%	0.1%	0.2%	-6.9%	-4.4%	-4.6%
14	23/May	New issue of covered mortgage bonds	2.2%	2.3%	2.1%	6.4%	5.1%	8.3%
15	28/Jun	Resolution of the Board of Directors	-2.0%	-1.1%	-2.6%	1.7%	1.4%	-0.4%

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



Dividend Policy

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

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

Follow-up of Investors

During the first six months of 2017, the Bank participated in several events, namely in 4 conferences and 4 road shows in Europe and in the USA where it made institutional presentations and held one-to-one meetings with investors. More than 280 meetings were held with analysts and institutional investors, which continue to demonstrate significant interest in relation to the Bank.

Treasury stock

Treasury shares held by entities included in the consolidation perimeter are held within the limits established by the bank's by-laws and by the Portuguese Companies Code.

As at 30 June 2017, Banco Comercial Português, S.A. did not hold any treasury shares and no treasury shares were purchased or sold during that period of time. However, the item "Treasury Stock" recorded 323,774 shares (31 December 2016: 2,689,098 shares) held by customers. Considering that for some of these customers there is evidence of impairment, the Bank's shares held by these customers were considered as treasury stock and, in accordance with the accounting policies, written off from equity.

Regarding treasury stock held by associate companies of the BCP Group, pursuant to the note to the financial statements number 49, as at 30 June 2017, the Millennium bcp Ageas Group holds 142,601,002 BCP shares (31 December 2016: 8,694,500 shares) amounting to 33,597,000 Euros (31 December 2016: Euros 9,312,000).

SHAREHOLDER STRUCTURE

According to Interbolsa, on 30 June 2017, the number of Shareholders of Banco Comercial Português was of 173,642.

By the end of June 2017 there were five Shareholders with a qualifying shareholding, two of which held stakes above 5% of the Bank's share capital.

Shareholder structure	Number of Shareholders	% of share capital
Individual Shareholders		
Group Employees	2,945	0.25%
Other	165,902	23.61%
Companies		
Institutional	328	30.86%
Other and Qualified Shareholders	4,467	45.28%
Total	**173,642**	**100.00%**

Shareholders with more than 5 million shares represented 74.8% of the share capital. During the first six months of 2017, there was a significant increase in the percentage of capital held by foreign investors, mostly due to the Bank's share capital increase made in February 2017.

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	138	74.77%
500,000 to 4,999,999	1,026	7.65%
50,000 to 499,999	13,619	11.59%
5,000 to 49,999	45,467	5.32%
< 5,000	113,392	0.67%
Total	**173,642**	**100%**

During the first six months of 2017, the relative weight of the Shareholders in Portugal decreased from 53% to 33%, especially due to the completion of the share capital increase operation.

	Nr. of Shares (%)
Portugal	33.3%
Africa	15.5%
UK / USA	11.9%
Other	39.3%
Total	**100%**

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.

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

REGULATORY, ECONOMIC AND OF THE FINANCIAL SYSTEM ENVIRONMENT

REGULATORY ENVIRONMENT

On 23 November 2016, the European Commission presented a set of measures with the purpose of mitigating the risk of the bank sector which are currently being appraised by the European authorities. One must point out the proposal for the review of the Capital Requirements Directive (CRD IV) of the Capital Requirements Regulation (CRR) and of the Bank Recovery and Resolution Directive (BRRD). These alterations relate mainly with the calibration and the establishment of the leverage ratio and of the Net Stable Funding Ratio (NFSR), the alterations to the estimation of the market risk requirements and of interest rates in the bank portfolio, the extension of the support for SMEs to larger companies, the definition of guidelines for the application of the capital requirements within the scope of Pillar 2 and the harmonization of the requirements for liabilities elegible for the purposes of being applied in resolution measures Minimum Requirement for own funds and Eligible Liabilities (MREL).

The Basel Committee is currently finalizing the alterations to the Basel III regime with the purpose of increasing the quality of the Bank's capital and reducing the variability of risk weighted assets.

The European Council for Economic and Financial Affairs recently approved a plan of action and a number of policies to reduce the volume of Non-Performing Loans (NPL), which comprises, among other, specific prudential supervision measures, the review of the insolvency legal framework and initiatives to foster the NPL secondary markets. The Union of Capital Markets continues to be a strategic priority of the European Commission, to improve the attractiveness of investment and facilitate companies's access to funding.

Currently, the transposition of the Markets in Financial Instruments Directive (MiFID II/RMIF) is being carried out, to enter into effect in 2018. This new regime extends the duties of transparency to a wider class of assets and derivatives agreements, together with the respective trading platforms, and establishes requirements related with automated high frequency algorithmic trading. This Directive also defines the requirements for the practice of financial consulting, the distribution and creation of new products and those relating the information to provide to the Client.

The purpose of the delegated regulation on the packages of retail investment products and of investment products based on insurance (PRIIP), which will enter into effect at the beginning of 2018, is to protect consumers and establish a common regulation for the fundamental information documents to be provided to the Clients.

In Portugal, we must point out, among the main measures adopted in the first six months of 2017 with impact on the Portuguese financial system, the following:

- Mortgage Loans (Decree-Law nr.74-A/2017, of 23 June), which partially transposes the Directive 2014/17/UE, regarding the regime of the loan agreements for the purchase of real estate properties which will enter into effect on 1 January 2018, foreseeing in particular specifications for the provision of pre-contractual information and computation of the TAEG, measures for the promotion of a responsible granting of credit and intervention of an independent evaluator expert, among other;
- Opening of bank deposit accounts (Notice nr. 3/2017 and Instruction nr. 9/2017): defines the procedures for verification of the identification data and the determination of the requirements applicable to the opening of bank deposits using remote channels;
- Capital Markets (Decree-Law nr. 77/2017 of 30 June): creates measures to increase the dynamics of the capital markets towards the diversification of the funding sources of companies.
- Entrepreneurial restructuring (Decree-Law nr.79/2017 of 30 June): alters the Companies Code and the Code for Insolvency and Recovery of Companies in order to simplify and speed up the processes of company's recovery and capitalization; it enters into effect in the second half-year of 2017;
- Countercyclical reserve of own funds: the percentage of countercyclical reserve applicable to credit exposures to the domestic non-financial private sector continues to be 0% of the total amount of the positions at risk.

Lastly, it is important to mention the alterations introduced in the financial supervision model in Portugal which are currently under study, eventually by resorting to a public consultation. The

Government foresees the creation of a new supervision entity with responsibilities within the scope of the macro prudential supervision and of the resolution of credit institutions.

ECONOMIC ENVIRONMENT

The International Monetary Fund (IMF) projects an acceleration of the world economy in 2017 (3.5%), reflecting the recent improvement of the key activity indicators in most of the main economies. Nevertheless, the expansion pace of the developed countries should remain moderate, possibly due to the reduction of their potential growth. The IMF considers that its scenario is subject to a set of downside risks, specifically those derived from the possibility of intensification of international trade protectionism.

Despite the favourable evolution of the European economy and the stabilization of the euro against the major international currencies, the ECB decided not to modify the stance of monetary policy that was defined in March as it considers that the recovery of activity and inflation still lacks confirmation. In the US, dwindling growth and the stabilization of inflation have not precluded the continuation of the process of slow normalization of the Federal Reserve's monetary policy, which hiked its key rate in June, for the second time this year, to 1.25%.

The expectation of sustainable growth of the world economy, the dissipation of risks among the commodity-producing countries and the maintenance of extremely accommodative monetary conditions have contributed to create a favourable context for the financial markets, which translated into an appreciation of the majority of asset classes and in a fall of the volatility levels to the lowest values. Within the equity segment, it should be mentioned that all of the main US indices have reached historic highs. In the interest rates domain, the fact that oil prices have stabilized led to the mitigation of inflationary pressures, which in turn allowed for the stabilization of the government bond yields of the low-risk countries, such as Germany or the US, after the strong increases of the second half of 2016, especially for the longer maturities. Regarding the Euro money markets, the continuation of ECB's policy of generous liquidity provision has kept Euribor rates in negative territory for all maturities.

According to Statistics Portugal, Portugal's GDP rose by 2.8% annually during the first three months of 2017, clearly above the 2.0% observed in the previous quarter. The increase in the pace of economic activity stemmed from the strong acceleration of investment as well as a material rise in the contribution of net exports. The favourable evolution of these two components has more than compensated for the loss of vigour in consumption, both in the public and in the private sector. In this improved context, the IMF has revised upward its forecasts for Portugal's economic growth in 2017 to 2.5%, a value that significantly exceeds the one observed last year (1.4%). The unequivocal improvement of the economic outlook as well as the strong fiscal performance and the fading of the risks concerning the financial condition of the banking system, accompanied by a more stable climate in international financial markets, have contributed to the appreciation of the main domestic equity index by more than 10% in the first half and also a meaningful decline in public and private debt's risk premia.

During 2017's first quarter, the Polish economy expanded at the highest pace among the countries of the European Union, with an annual 4.0% growth rate. This performance benefited mainly from the acceleration of private consumption, stimulated by negative real interest rates and from the strong growth of households' disposable income. The investment in construction, partly co-financed by European funds, also contributed decisively to the expansion of activity. Despite the economy's dynamism and the rise in inflation associated to the recovery of international commodity prices, Poland's National Bank maintained its key rate at 1.50% and has not hinted at any change in the near future. The good macroeconomic performance and the reduced volatility in the global financial markets favoured the appreciation of the zloty against the main international currencies, including the euro and the dollar. After the steep deceleration of activity recorded in 2016, the Mozambican economy has been recovering, leading to the appreciation of the metical, the decline of the inflation rate and the return of foreign investment. In this context, Mozambique's central bank reduced the interest rate on the permanent lending facility from 23.25% to 22.75% in April. In Angola, the recovery of the oil price with respect to the previous year has contributed to a greater economic dynamism, despite the subsistence of financial frailties, namely at the level of the net international foreign reserves, which have continued to decline.

ENVIRONMENT OF THE FINANCIAL SYSTEM

The first six months of 2017 were marked by the conclusion of the recapitalization processes of Caixa Geral de Depósito and of BCP, and by the deconsolidation of assets/liabilities within the scope of the partial sale of the stake of Banco BPI in its subsidiary company in Angola, and by the announcement made by the Banco de Portugal regarding the sale of Novo Banco to Lone Star (the conclusion of the operation is still subject to compliance with certain conditions).

We must also emphasize the approval by the Associação Mutualista Montepio Geral of the transformation of Caixa Económica Montepio Geral into a limited liability company and, in July 2017, the takeover bid made by the Associação Mutualista for the participation units not owned by it in Caixa Económica.

In the first half-year of 2017, core bank items continued to recover which, together with low levels of provisioning due to the reduction in non-performing loans, enabled the banking sector to achieve positive profitability levels.

BUSINESS MODEL

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

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

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

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

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

Largest privately-owned banking institution

Millennium bcp is Portugal's largest privately-owned banking institution, with a position of leadership and particular strength in various financial products, services and market segments based on a modern branch network with good territorial cover at a national level.

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

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

At the end of June of 2017, the Bank had 596 branches in Portugal, serving over 5.6 million Customers, and held the position of second bank (first privately-owned bank) in terms of market share for both loans to Customers (17.8%), and customer deposits (17.3%) in June 2017.

Resilience and sustainability of the business model

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

In the beginning of 2017 the Bank announced a share capital increase of 1.3 billion euros through the issue of subscription rights, plus the private placement of 175 million euros subscribed by a subsidiary company of Fosun Industrial Holdings Limited ("Fosun"), completed on 18 November, with the objective of speeding up the return of the Bank's activity to normalization, including the potential payment of dividends, instead of the phased approach used until then. The rights issue strengthened the goals of the strategic plan, consisting in the improvement of the profit and loss account induced by the increase of the financial margin (supported by the reduction in the cost of funding due to the repayment of the CoCos and re-pricing of deposits), by the control on costs and the normalization of the cost of risk in Portugal; and improvement of the balance sheet, improving the capital and risk positions, based on the ongoing reduction of non-performing exposures. Total demand recorded in the share capital increase represented around 122.9% of the offer amount. In February 2017, Banco Comercial Português carried out the early repayment to the Portuguese State of the remaining Core Tier 1 capital hybrid instruments

("CoCos"), amounting to 700 million euros. Together with the early repayment of the CoCos, the share capital increase intended to cancel the key restrictions related with the State aid, including the prohibition to distribute dividends, the potential risk of having to sell core businesses and the risk of the conversion of the CoCo bonds into a shareholding.

Innovation and capacity to deliver

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

Technology

With the purpose of continuing to improve its information systems, the Bank developed, during this period of time, a number of structuring initiatives and projects, of which we highlight:

- Extension of the project "Go Paperless" to new processes, including making available across the Retail network the possibility of subscribing to credit cards by signing on a tablet;
- Dematerialization of the MiFID documents;
- Launching of the cashier transactions with digital support documents;
- The new digital signature platform enables the use of different types of online signing of documents, namely by using the citizen's ID card;
- Several upgrades of the branches' cashier solution (PAB);
- Several improvements to the commercial action platform.

New tools were also made available, such as:

- The new version of the Millennium App, with more options;
- New tools for personalized Customer contact with their manager, enabling the Customer to communicate via Chat, Voice or Video Call with the respective Prestige Managers;
- New simulator for mortgage loans on the website;
- Personal loan simulator on the App and Mobile Web;
- Credit Simulator for AVANÇAR – Portugal 2020;
- New pre-screening process of the proactive offer of credit which provides the simulation of the decision through automated models;
- Modular solution of products for the Companies Network.

Within the context of operational improvements:

- Launching of the POS management workflow;
- New application for seizure of bank deposits;
- Improvement of the collection (XCOB) and Factoring (XFACT) applications;
- Simplification of credit, Factoring and Confirming proposals (SWOC);
- New solution for the opening and maintenance of company accounts, transversal to the entire Bank network.

Finally, we must mention the launching of the "New Prevention Model" with integration of the tasks in Recovery Commercial Management, allowing prevention to achieve a greater efficiency in retail, as well as alterations in the workflow for the authorization of orders of Customers of the Private Banking network.

Internet & Mobile

In the first six months of 2017, Millennium bcp continued to focus on a strategy based on the innovation and promotion of digital banking, reinforcing the offer of services through an omnichannel approach with automated processes and a customer-centric vision.

The online Customers of Millennium bcp increased by 28% and the number of transactions made rose around 23%. The main contributions for this growth were given by the performance of mobile banking which, in the Individuals solution, recorded a 50% increase in the number of users and 38% in the number of transactions. The number of users of the Companies Mobile platform increased 19% and the number of transactions increased 17%.

Examples of an increasing digital trend are the new products and services made available during the 1st six months of 2017, notably:

- A new consumer loans simulator on the website now also available on Mobile Web or Millennium App, which enables the online granting and contracting of a loan;
- A new and simpler simulator of mortgage loans, with an enhanced user experience and the possibility to request the loan, save and send the simulations by e-mail, “Loan Request” or “Contact Request”, upload the documents necessary for analysis and a new area, “My simulations and loan proposals”;
- M Contacto, a privileged and secure contact area between the Customer and their manager where it is possible to make meetings through video-calls. The latter is only available on the Individuals website;
- Simulator and request for the Moving Forward Credit on the companies’ website;
- M Empresas App: creation of an area exclusively for Aplauso 2017 Companies.

Digital Sales

Reflecting the strategy for the Bank's digital channels’ sale capacity, the new consumer loans simulator on the website and the possibility of making simulations and requests for consumer loans using the Millennium App and the Mobile web contributed to the 4% increase in the sale of consumer loans through digital platforms in 2016, to around 14% of the Bank's total sales in 2017. One expects that this growth will continue until the end of 2017.

Regarding the promotion of digital sales, we must emphasize the significant number of insurance products recorded in digital (around 30 times the figures in 2016), the creation of a new simulator and a request for a mortgage loan on the website/Mobile App, plus the creation of a term deposit exclusively for App users.

The use of Digital Marketing campaigns continues to efficiently contribute to the general increase recorded in 2017 in digital sales of products and services.

Communication with Customers

In the first half-year of 2017, the Communication of Millennium consolidated the positioning and values launched in 2016 based on the commitment – “Aqui Consigo,” a play on words in Portuguese meaning both “always with you” and “here I can”).

The beginning of the year represented a turning point in the Bank's history, due to the conclusion of the restructuring plan, and the Communication developed during the first six months of 2017 represents a renewed driving force and a new principle.

The Bank focused on a communication strategy based on several stages: an initial one focusing on the disclosure of the end of the State's aid, followed by the communication of the Share Capital Increase and, lastly, the launching of a new institutional campaign under the motto “Conseguimos Mais” (“We can do more”).

The institutional campaign enabled Millennium to strengthen its commitment with the market and with its customers - expressed in the statement “Um Banco que esteve, está e sempre estará aqui consigo” (A bank that was, is, and will always be with you) - and two campaigns, with a specific offer addressed to new clients, were developed for the Individuals and Companies segments.

The communication actions undertaken and the commercial campaigns launched during the first half of 2017 continued to focus on the positioning of Millennium as a modern Bank, with a service of excellence and ongoing technological innovation.

This Communication strategy continues to rely on digital channels and on social networks (enabling Millennium to become leader in the bank industry regarding interactions with its users), together with a policy of sponsorship of events which guarantee a strong presence of the Bank near Clients and Non-Clients.

Highlights include the Millennium Estoril Open which takes place at the end of April/beginning of May, as well the Online Dance Company powered by Millennium, whose digital videos and entertaining live sessions enabled the Bank to considerably increase its relation with young people, translating into significant growth in the number of Customers in the Youth segment.

In the second half of 2017 the Bank will continue to carry out an intense communication effort, in the form of advertisements and sponsorships which will enable Millennium to consolidate its growth in terms of notoriety and satisfaction of its Clients.

Main awards received[1]

In 2017, the Group's Banks received several awards, of which the following are noteworthy:

- “Best Consumer Digital Bank” in Portugal and in Poland by *Global Finance*;
- “Superbrand” in Portugal and in Mozambique;
- “Market member - Most Active Trading House in Certificates” and “Seasoned Equity Offer House”, at the 6th edition of the Euronext Lisbon Awards;
- “Model Bank 2017”, attributed to Millennium bcp by the U.S. consulting company Celent, for the transformation it has been developing in Portugal, namely with its Branches of the Future, an award delivered to the financial entities that stood out for innovation and the quality of its customer service;
- “Best Brand” in the category Banking, within the scope of the annual event held by the magazine *Marketeer*;
- “Best Private Bank” in Portugal by *The Banker*;
- “Best Online Bank” attributed for the fourth consecutive year to ActivoBank by Marktest Reputation Index;
- Bank Millennium Poland was included, for the ninth consecutive time, in the Respect Index - an index of socially responsible companies listed on the Warsaw Stock Exchange;
- Bank Millennium was distinguished in the ranking of Responsible Companies 2017, a list of major Polish companies evaluated in terms of their Corporate Social Responsibility, and was classified as "Crystal” – meaning that it has entrepreneurial maturity regarding the implementation of corporate social responsibility activities;
- “Best Bank in Social Responsibility" in Poland , by *Euromoney*;
- “Best Bank in Mozambique 2017” and “Best Trade Finance Provider in Mozambique 2017” by *Global Finance*;
- “Best Bank in Mozambique 2017", by *The Banker*;
- "Best Bank in Mozambique 2017" within the scope of the *Euromoney* Awards for Excellence.

COMPETITIVE POSITIONING

At the end of June 2017, Millennium bcp was the largest Portuguese privately-owned bank with a relevant position in the countries where it operates.

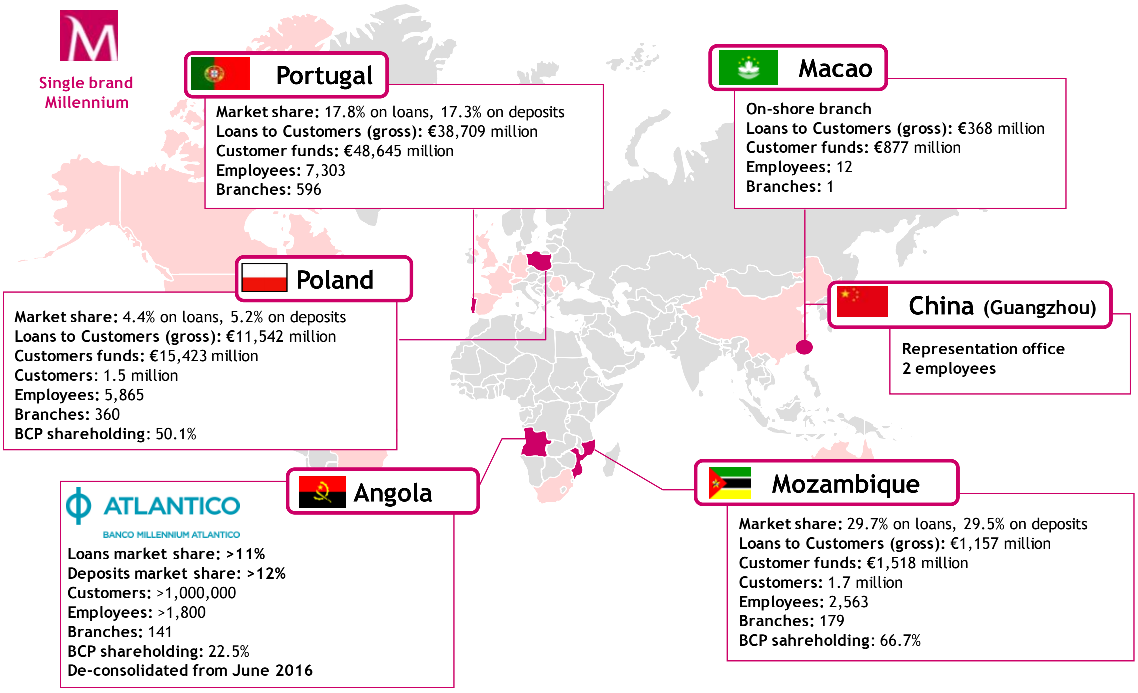
The Bank offers a wide range of banking products and financial services, directed at Individuals and Companies, has a leading position in the Portuguese financial market, and is positioned to benefit from the recovery of the Portuguese economy, mainly through the support that the Bank provides to Companies.

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

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

On 30 June 2017, operations in Portugal accounted for 73% of total assets, 75% of total loans to Customers (gross) and 74% of total customer funds. In June 2017, the Bank had over 2.3 million Customers in Portugal and market shares of 17.8% and 17.3% for loans to Customers and Customer deposits, respectively.

Millennium bcp is also present in the five continents of the world through its banking operations, representation offices and/or commercial protocols, serving over 5.6 million Customers, at the end of June 2017.



Concerning the operations in Africa, Millennium bcp operates through Millennium bim, a universal bank that has been active since 1995 in Mozambique, where it has over 1.7 million customers and is the leading bank, with 29.7% of loans and advances to Customers and 29.5% of deposits. Millennium bim is a highly reputed brand in the Mozambican market, associated with innovation, major penetration in terms of electronic banking and exceptional capacity to attract new Customers, as well as being a reference in terms of profitability.

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

In Poland, Bank Millennium has a well distributed network of branches, supported on a modern multi-channel infrastructure, a benchmark service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. As at 30 June 2017, Bank Millennium had a market share of 4.4% in loans to Customers and of 5.2% in deposits.

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

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

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

MILLENNIUM NETWORK

DISTRIBUTION NETWORK

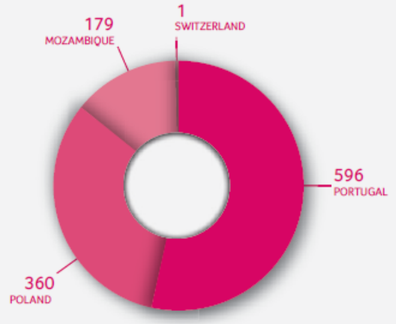
NUMBER OF BRANCHES

	2017	2016	2015	Change % 17/16
TOTAL IN PORTUGAL(*)	596	618	671	-3.6%
Poland	360	368	411	-2.2%
Switzerland	1	1	1	0.0%
Mozambique	179	176	169	1.7%
TOTAL OF INTERNATIONAL OPERATIONS	540	545	581	-0.9%
TOTAL	1,136	1,163	1,252	-2.3%

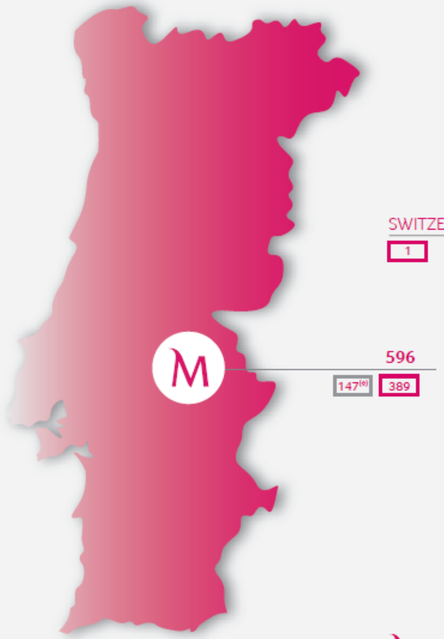
(*) Includes Macao branch.

1,136 MILLENNIUM BRANCHES

BRANCHES BREAKDOWN



PORTUGAL



TOTAL OF BRANCHES

BRANCHES OPENED ON SATURDAY

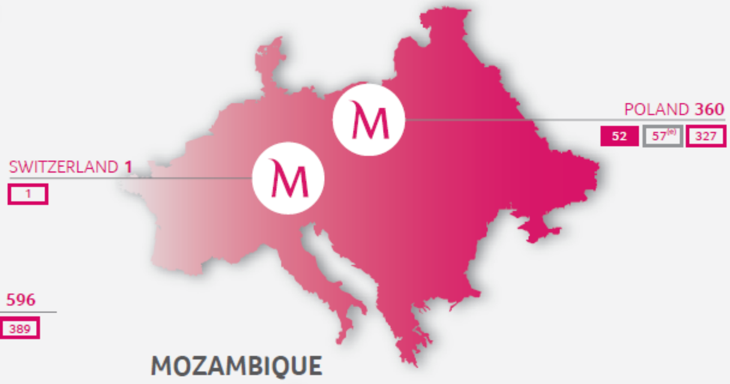
BRANCHES WITH DIFFERENTIATED SCHEDULE

BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

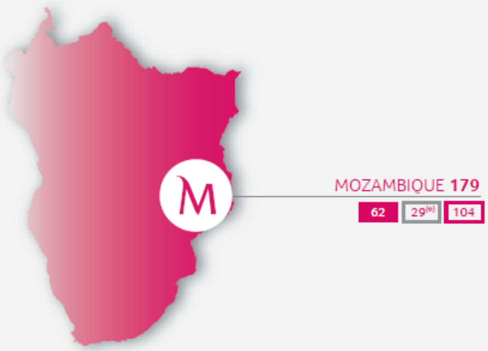
(*) Includes branches of different networks sharing the same premises.

INTERNATIONAL

POLAND AND SWITZERLAND



MOZAMBIQUE

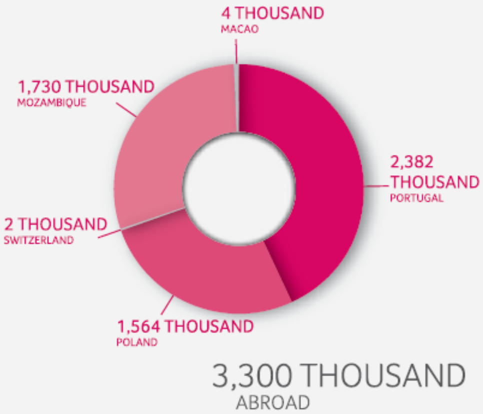


REMOTE CHANNELS AND SELF-BANKING

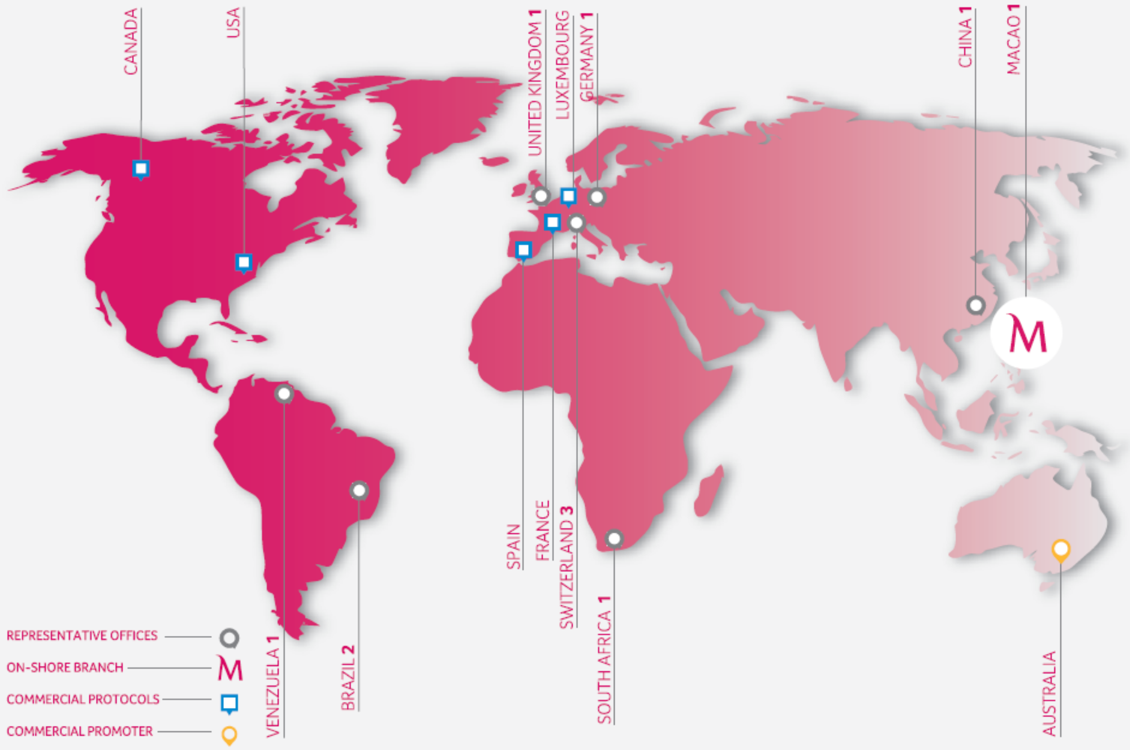
5.682 MILLION CUSTOMERS

	Internet	Call Centre	Mobile Banking	ATM(*)	POS(**)
TOTAL IN PORTUGAL	686,315	145,804	319,850	1,976	49,986
Poland	1,098,361	126,576	692,457	485	-
Switzerland	507	-	-	-	-
Mozambique	18,658	4,048	522,067	486	8,317
TOTAL OF INTERNATIONAL OPERATIONS	1,117,526	130,624	1,214,524	971	8,317
TOTAL	1,803,841	276,428	1,534,374	2,947	58,303

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



REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS AND COMMERCIAL PROMOTER



PERFORMANCE VERSUS STRATEGIC PLAN

On 12 January 2017, the Bank confirmed its financial and operational business goals[2] for 2018 within the scope of the share capital increase operation concluded in February 2017, 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 of approximately 10%.

Goal	1H2017	2018
CT1 / CET1[3]	Phased-in 13.0% Fully implemented: 11.3%	≈ 11%
Loans-to-Deposits	95%	<100%
Cost-Income	Stated: 42.9% Excluding extraordinary items: 45.2%	<43%
Cost-Core Income[4]	Stated: 44.6% Excluding extraordinary items: 47.0%	<50%
Cost of Risk	118 bp	<75 bp
ROE	3.3%	≈ 10% Based on CET1 11% fully implemented

On 30 June 2017, the regulatory capital ratio Common Equity Tier I (CET1), in accordance with the phased-in and fully implemented criteria stood at 13.0% and 11.3%, respectively, both above the target for 2018 of around 11%. The loan-to-deposits liquidity ratio stood at 95, complying with the objective defined for 2018 (<100%).

(Net income, cost-to-income ratios, and Cost-Core income stated (44.6%) and without extraordinary items (47.0%) are aligned with the target for 2018 (<50%). The Cost-to-Income ratio stated stood at 42.9%, during the first six 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 (45.2%).

The cost of risk is still above the objective set forth for 2018 (118 bp vs target of <75 pb), 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 3.3%, below the objective of approximately 10% defined for 2018, but also evidencing a positive performance versus the same period of 2016.

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[2] 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.

[3] Amounts estimated including the results of the 1st half-year.

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

RESULTS AND BALANCE SHEET

The consolidated Financial Statements are prepared under the terms of Regulation (EC) nº. 1606/2002, of 19 July, in accordance with the reporting model determined by the Banco de Portugal (Banco de Portugal Notice no. 5/2015), following the transposition into Portuguese law of Directive nº. 2003/51/EC, of 18 June, of the European Parliament and Council in the versions currently in force. The interim condensed financial statements, for the six month period ended 30 June 2017, were prepared in accordance with the IAS 34.

In the context of the Banco Millennium in Angola's merger process with Banco Privado Atlântico, the public deed of which was executed on 22 April 2016 and the granting of the necessary authorizations was concluded on 3 May 2016, Banco Millennium in Angola was considered as a discontinued operation in March 2016, and the impact of the results presented in a separate line item in the profit and loss account, defined as "income arising from discontinued operations" and the prior periods were restated. At the level of the consolidated balance sheet, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full method of consolidation until April 2016.

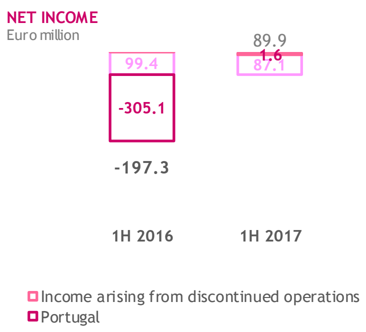
After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being consolidated using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

Profitability Analysis

Net Income

The core income[5] of Millennium bcp amounted to Euro 558.6 million in the first half of 2017, increasing 27.8% from Euro 437.1 million posted in the first half of the previous year, reflecting not only the 12.9% growth in net interest income and the 3.1% growth in net fees and commissions income, but also the 7.0% decrease in operating costs. Excluding the effect of specific items (a Euro 23.7 million profit in 2017 including the negotiation of the Bank's Collective Labour Agreement net of restructuring costs and Euro 1.2 million in restructuring costs in 2016), core net income increased 22.0% from the first half of 2016, reaching Euro 534.9 million in the first half of 2017.

The performance of core net income benefited from both the performance of the activity in Portugal and the international activity, and reflected an improvement of operating efficiency, as shown by the decrease in thecost to core income[6] ratio, excluding specific items, from 52.4% in the first half of 2016 to 47.0% in the first half of 2017.



Net income in the first half of 2017 totalled Euro 89.9 million, comparing very favourably to Euro -197.3 million posted in the first half of the previous year.

This performance was determined by the activity in Portugal, where net income increased by Euro 306.7 million compared to the first half of 2016, to Euro 1.6 million, mainly induced by the growth of core net income and a noteworthy decrease in impairment and provisions, net of tax effects. The positive impact, net of tax, due to the above-mentioned specific items of 2017 reached Euro 16.7 million, comparing to Euro 20.9 million from the gain related to the purchase of Visa Europe by Visa Inc in the same period of 2016.

In the international activity, net income stood at Euro 87.1 million in the first half of the year, comparing to Euro 99.4 million achieved in the first half of the previous year, mainly reflecting the lower contributions from the operations in Angola and especially Poland, the latter conditioned by both the gain booked in the first half of 2016 associated with the purchase of Visa Europe by Visa Inc (Euro 26.2 million) and by the penalising effect of the mandatory contributions, namely the recognition of the total annual cost of the contribution to the Resolution Fund in March 2017, which was accrued in 2016, and the new banking tax introduced in February 2016.

Bank Millennium in Poland reported a net profit of 73.7 million euros in the first six months of 2017, showing a 24.7 million euros decrease in comparison with the 98.4 million euros presented in the same period of 2016, determined by the gain of 52.4 million euros, after taxes, obtained in 2016 with the sale of Visa Europe shares and by the penalizing effect of mandatory contributions, notably the full recognition in the first half of 2017 of the annual cost of the Resolution Fund, which was accrued in 2016, and the beginning of the new banking tax in February 2016, despite the favourable performance of net interest income and net commissions.

Millennium bim in Mozambique posted a net income of 42.8 million euros, showing an increase of 16% compared to the 36.8 million euros recorded in the first half of 2016. Excluding the metical depreciation effect, net income would have increased by 43%, due to banking income growth, supported by increased net interest income, which benefitted from an increase in reference interest rates and in business volumes, only partially offset by higher operating costs, impairment and provisions.

Millennium Banque Privée in Switzerland registered a net income of 3.4 million euros in the first half of 2017, higher than the 2.6 million euros shown in the same period of 2016, due to banking income positive evolution, in commissions, notably from management activities, third parties' retrocession and guarantees, and in net interest income, benefitted by credit volume increase.

Millennium bcp Bank & Trust in the Cayman Islands, excluding the exchange effects not relevant for consolidated purposes, would have reported a positive net result of 2.5 million euros in the first half of 2017, higher than in the same period of last year, due to the favourable evolution of net interest income, operating costs and loan impairment.

[5] Core net income = net interest income + net fees and commission income – operating costs.
[6] Core income = net interest income + net fees and commission income.

Regarding the Angolan operation, net income from international operations includes 15.8 million euros related to Banco Millennium Atlântico's net income consolidated through the equity method in the first half of 2017, while in the first half of 2016 it included 21.4 million euros, of which 18.4 million euros related to net income of the former Banco Millennium Angola in the first four months of 2016 (correspondent to the consolidation of 50.1%) and 3.0 million euros referring to Banco Millennium Atlântico's results on the two following months consolidated through the equity method.

INCOME STATEMENT Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Net interest income	678.5	600.8	12.9%
Other net income			
Dividends from equity instruments	1.6	5.8	-72.3%
Net commissions	330.3	320.3	3.1%
Net trading income	89.9	182.8	-50.8%
Other net operating income	(86.6)	(88.1)	1.6%
Equity accounted earnings	35.1	37.7	-6.9%
	370.3	458.6	-19.3%
Operating costs			
Staff costs	241.5	273.7	-11.8%
Other administrative costs	182.6	184.9	-1.2%
Depreciation	26.1	25.5	2.5%
	450.2	484.2	-7.0%
Impairment			
For loans (net of recoveries)	305.0	618.7	-50.7%
Other impairment and provisions	110.3	198.0	-44.3%
Income before income tax	183.3	(241.3)	176.0%
Income tax			
Current	54.5	56.4	-3.4%
Deferred	(11.1)	(134.7)	91.8%
Income after income tax from continuing operations	139.9	(163.0)	185.8%
Income arising from discontinued operations	1.3	45.2	-97.1%
Non-controlling interests	51.2	79.5	-35.6%
Net income attributable to shareholders of the Bank	89.9	(197.3)	145.6%

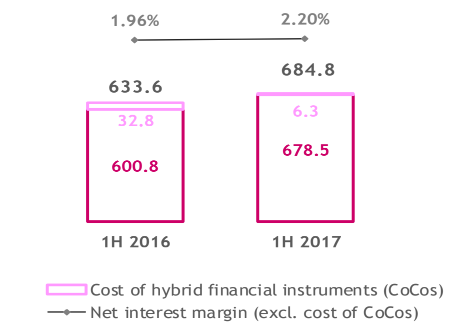
Net Interest Income

Net interest income rose 12.9% in the first half of 2017, reaching Euro 678.5 million comparing to Euro 600.8 million registered in the same period of previous year benefiting from the contribution of both Portugal and the international activity.

In the activity in Portugal, net interest income totalled Euro 390.2 million in the first half of 2017 showing an increase of 9.0% compared to the first half of the previous year, reflecting mainly the lower cost of funding largely justified by the positive impact of CoCos repayment and by the continued reduction of interest rates of term deposits, despite the lower gains in loans and the securities portfolio.

In the international activity, net interest income excluding exchange rate effects increased 23.0% in the first half of 2017, compared to the same period of previous year, reflecting the positive performance of all subsidiaries, in particular Mozambique and Poland.

NET INTEREST INCOME
Euro million



Net interest margin stood at 2.18% in the first half of 2017, compared to 1.86% in the same period of the previous year. Excluding the impact from the cost of CoCos, net interest margin reached 2.20% in the first half of 2017 and 1.96% in the same period of 2016.

Other Net Income

Other net income, which includes income from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings, totalled 370.3 million euros in the first half of 2017, which compares with 458.6 million euros in the same period of 2016, largely driven by the 91.0 million euros in gains with purchase by Visa Inc of the stakes held by the Bank in Portugal and by Bank Millennium in Poland in Visa Europe, in the second quarter of 2016.

OTHER NET INCOME — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Dividends from equity instruments	1.6	5.8	-72.3%
Net commissions	330.3	320.3	3.1%
Net trading income	89.9	182.8	-50.8%
Other net operating income	(86.6)	(88.1)	1.6%
Equity accounted earnings	35.1	37.7	-6.9%
Total other net income	370.3	458.6	-19.3%
Of which:			
Portugal activity	251.7	290.9	-13.5%
Foreign activity	118.6	167.7	-29.3%

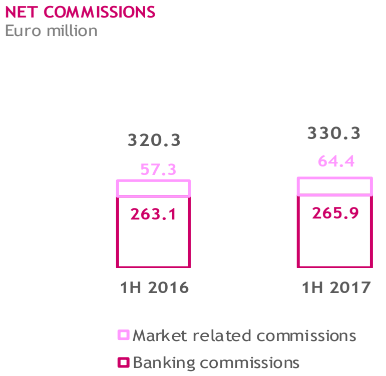
Income from Equity Instruments

Income from equity instruments comprises dividends and income from participation units received from investments in financial assets available for sale or held for trading, stood at 1.6 million euros in the first half of 2017, a 4.2 million euro decrease from the 5.8 million euros posted in the same period of 2016, mainly supported by the income associated with the Group's investments that incorporate its shares portfolio and the investment fund participation units.

Net Commissions

Net commissions reached Euro 330.3 million in the first half of 2017, compared to Euro 320.3 million achieved in the same period of the previous year, benefiting from the performance of the international activity, namely in Poland, partially offset by the contribution of the activity in Portugal which reflects a higher one-off amount recorded in the first quarter of 2016 in banking commissions.

The performance of net commissions mainly reflects the increase in market commissions which grew 12.5% compared to the first half of 2016.



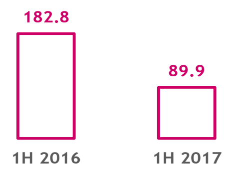
NET COMMISSIONS — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Banking commissions	265.9	263.1	1.1%
Cards	75.2	71.1	5.8%
Credit and guarantees	78.5	79.9	-1.7%
Bancassurance	47.5	43.6	8.9%
Current account related	46.5	45.4	2.3%
Commissions related with the State guarantee	-	-	-
Other commissions	18.3	23.1	-21.1%
Market related commissions	64.4	57.3	12.5%
Securities	43.8	38.9	12.6%
Asset management	20.6	18.3	**12.5%**
Total net commissions	330.3	320.3	3.1%
Of which:			
Portugal activity	225.2	229.5	-1.9%
Foreign activity	105.1	90.9	15.7%

Net Trading Income

Net trading income, which includes net gains from trading and hedging activities, from available for sale financial assets and from held to maturity financial assets, amounted to Euro 89.9 million in the first half of 2017, compared to Euro 182.8 million accounted in the same period of 2016, reflecting the gain of Euro 91.0 million related to the purchase, by Visa Inc., of the shareholdings held by the Bank in Portugal and Bank Millennium in Poland in Visa Europe in the second quarter of 2016.

NET TRADING INCOME
Euro million



NET TRADING INCOME			Euro million
	30 Jun. 17	30 Jun. 16	Change 17/16
Foreign exchange activity	39.9	44.1	-9.6%
Trading, derivative and other	50.0	138.7	-63.9%
Total net trading income	89.9	182.8	-50.8%
Of which:			
Portugal activity	59.0	75.9	-22.2%
Foreign activity	30.9	107.0	-71.1%

Other Net Operating Income

Other net operating income, which comprises other operating income, other income from non-banking activities and gains from the sale of subsidiaries and other assets, was negative by Euro 86.6 million in the first half of 2017, compared to the negative Euro 88.1 million posted in the same period of the previous year. This item includes the costs associated with mandatory contributions as well as with Resolution Fund, largely recognized in the second quarter of the year, both in Portugal and in the international activity.

The favourable performance of other net operating income was determined by the activity in Portugal, while the contribution of the international activity was in line with the first half of 2016 (having grown 3.9% excluding exchange rate effects).

The contribution from the international activity was hindered by both 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 by the new tax on Polish banks, which was only introduced in February 2016.

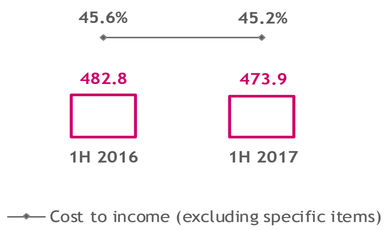
Equity Accounted Earnings

Equity accounted earnings, which include the earnings appropriated by the Group associated with the consolidation of entities over which the Group, despite having significant influence, does not exercise control over their financial and operational policies, totalled 35.1 million euros in the first half of 2017, a 2.6 million euros decrease compared with the 37.7 million euros posted in the same period of 2016, conditioned by the positive impact on UNICRE's results of the sale of its stake in Visa Europe during the 1st half of 2016, despite the increase, in the 1st half of 2017, of the appropriation of profits from the stake in Banco Millennium Atlântico, the new entity resulting from the merger of Banco Millennium Angola with Banco Privado Atlântico, which took place in May 2016.

Operating Costs

Operating costs, which aggregate staff costs, other administrative costs and depreciation for the period, 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 2017, and Euro 1.2 million from restructuring costs in 2016), totalled Euro 473.9 million in the first half of 2017, decreasing 1.8% from the Euro 482.8 million accounted in the first half of the previous year, due to the contribution of the activity in Portugal which reflects the cost saving initiatives that have been implemented.

OPERATING COSTS
Euro million



In the activity in Portugal, operating costs, excluding the above-mentioned specific items, showed a decrease of 4.5% compared to the first half of 2016, mainly determined by the impact of the reduction in the number of employees on staff costs and also by other administrative costs savings, amounting to Euro 294.8 million in the first half of 2017.

In the international activity, operating costs increased 2.8% from the amount accounted in the first half of 2016 mainly influenced by the performance of the subsidiary in Poland. Excluding the exchange rate effect, operating costs increased 5.5%, induced by the performance of the subsidiary in Mozambique.

OPERATING COSTS — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Staff costs	265.2	272.5	-2.7%
Other administrative costs	182.6	184.9	-1.2%
Depreciation	26.1	25.5	2.5%
Subtotal (1)	**473.9**	**482.8**	-1.8%
Specific items			
Restructuring costs and Collect. Lab. Agreem.			
Revision/negotiation	(23.7)	1.2	
Operating costs	**450.2**	**484.1**	**-7.0%**
Of which:			
Portugal activity (1)	294.8	308.6	-4.5%
Foreign activity	179.1	174.3	2.8%

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

Staff Costs

Staff costs, excluding the impact of the above-mentioned specific items, amounted to Euro 265.2 million in the first half of 2017, showing a 2.7% reduction compared to Euro 272.5 million registered in the same period of the previous year, benefiting from the impact of the decrease of 99 employees in the activity in Portugal from the end of June 2016, while in the international activity, staff costs increased 6.5% excluding exchange rate effects determined by the operation in Poland and in Mozambique.

STAFF COSTS — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Salaries and remunerations	210.5	205.6	2.4%
Social security charges and other staff costs	54.7	66.9	-18.2%
	265.2	**272.5**	**-2.7%**

Other Administrative Costs

Other administrative costs stood at Euro 182.6 million in the first half of 2017, decreasing 1.2% from the Euro 184.9 million registered in the same period of 2016, reflecting the performance of the activity in Portugal, namely the resizing of the distribution network related to the rationalisation and cost containment measures that have been implemented, which translated into a reduction of 50 branches from the end of June 2016 to 596 at the end of June 2017.

In the international activity, excluding exchange rate effects, there was a 5.8% increase in other administrative costs determined by the activity in Mozambique.

OTHER ADMINISTRATIVE COSTS Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Rents and leases	48.0	50.0	-4.0%
Outsourcing and independent labour	38.2	37.0	3.3%
Advertising	13.3	11.8	12.8%
Communications	10.9	11.9	-8.7%
Maintenance and related services	8.6	9.6	-10.1%
Information technology services	8.6	9.4	-8.8%
Water, electricity and fuel	7.7	8.2	-6.0%
Advisory services	5.9	4.9	21.6%
Transportation	3.8	4.2	-9.5%
Travel, hotel and representation costs	3.7	3.8	-2.3%
Legal expenses	3.6	3.1	15.3%
Consumables	2.3	2.3	-0.8%
Insurance	2.3	2.2	3.7%
Credit cards and mortgage	3.1	1.9	60.4%
Training costs	0.9	0.6	37.4%
Other specialised services	9.6	11.3	**-15.1%**
Other supplies and services	12.0	12.6	**-4.1%**
	182.6	**184.9**	**-1.2%**

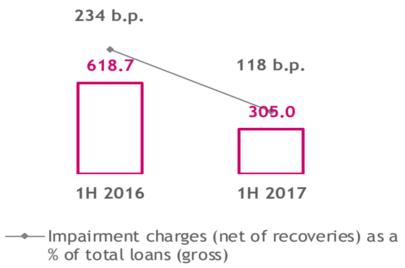
Depreciation

Depreciation costs totalled Euro 26.1 million in the first half of 2017, compared to Euro 25.5 million posted in the same period of 2016, determined by the performance of the activity in Portugal, namely by the higher IT equipment and software depreciation costs. In the international activity, excluding the exchange rate effect, depreciation costs decreased 4.4% compared to the amount registered in the first half of 2016.

Loans Impairment

Impairment for loan losses (net of recoveries) fell by 50.7% compared to Euro 618.7 million accounted in the first half of 2016, to stand at Euro 305.0 million in the first half of 2017, reflecting a trend towards normalization of the cost of risk in the activity in Portugal that allowed the improvement of the cost of risk for the group that decreased from 234 basis points in the first half of 2016 to 118 basis points in the same period of 2017.

IMPAIRMENT CHARGES (NET)
Euro million



LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES) Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Loan impairment charges	314.9	642.4	-51.0%
Credit recoveries	9.9	23.7	-58.2%
	305.0	618.7	-50.7%
Cost of risk:			
Impairment charges as a % of total loans	122 b.p.	243 b.p.	-121 b.p.
Impairment charges (net of recoveries) as a % of tot	118 b.p.	234 b.p.	-116 b.p.

Note: cost of risk adjusted of discontinued operations.

Other Impairment and Provisions

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

Other impairment and provisions totalled Euro 110.3 million in the first half of 2017, decreasing 44.3% compared to Euro 198.0 million registered in the same period of the previous year, essentially reflecting the smallest provisioning reinforcement needs related to corporate restructuring funds and other debt instruments, despite the reinforcement that occurred in other assets.

Income Tax

Income tax (current and deferred) achieved Euro 43.4 million, in the first half of 2017, compared to Euro -78.3 million posted in the same period of the previous year.

These taxes include current tax costs of Euro 54.5 million (Euro 56.4 million in the first half of 2016), net of deferred tax income of Euro 11.1 million (Euro 134.7 million in the first half of 2016).

Non-controlling interests

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

Non-controlling interests totalled 51.2 million euros in the first half of 2017, which compares with 79.5 million euros in the first half of 2016, essentially reflecting the net income attributable to third parties related to the shareholdings held in the share capital of Bank Millennium in Poland, Millennium bim in Mozambique, including non-controlling interests regarding SIM – Seguradora Internacional de Moçambique, S.A.R.L. The evolution of this item incorporates the effects resulting from the decrease in net earnings recorded by Bank Millennium in Poland, as well as a change, in May 2016, to the registry of the operation related to the 22.5% investment in Banco Millennium Atlântico.

REVIEW OF THE BALANCE SHEET

Total assets stood at Euro 73,024 million as at 30 June 2017, comparing to Euro 73,068 million as at 30 June 2016, essentially reflecting the reduction of loans to customers and also deposits at central banks and loans and advances to credit institutions, partially offset by the increase in financial assets available for sale, deferred tax assets and other assets.

Loans to customers (gross) amounted to Euro 51,684 million as at 30 June 2017, compared to Euro 52,930 million recorded as at 30 June 2016, hindered by the decrease in the activity in Portugal, despite the increase showed by the international activity.

This performance was largely offset by the increase in the credit portfolio, which was set at 13,967 million Euros at the end of June 2017, versus 12,832 million Euros recorded on the same date last year, mainly translating the performance of the portfolio of the subsidiary in Poland.

Total liabilities amounted to 66,078 million Euros as at 30 June 2017, recording a 2.9% decrease, vs. 68,054 million Euros recorded on the same date in 2016, mainly portraying the reduction in deposits of Central Banks of subordinated debt and other debt securities issued, despite customer's deposits and other loans being on an upward trend.

Deposits of Central Banks fell 29.6% to 4,173 million Euros on 30 June 2017 (5,959 million Euros on 30 June 2016), influenced by the continuing trend in the activity in Portugal.

Subordinated liabilities totalled 851 million Euros as at 30 June 2017, 48.7% down versus 1,660 million Euros as at 30 June 2016, due to the reimbursement of the remaining CoCo bonds in this period (750 million Euros).

Likewise, other debt securities issued went down 22.3%, from 4,018 million Euros to 3,121 million Euros between 30 June 2016 and 2017, influenced to a certain degree by the gradual replacement, at maturity, of bonds placed with clients by deposits. Within the scope of this item, one must also underline that the remaining issue of mortgage bonds placed with the market, amortized in June, was refinanced by a new 1,000 million Euros mortgage bond issue with a five year maturity, marking the Bank's return to the medium to long term debt markets about three years after placing an MTN issue in the market, amortized in February 2017.

Customer funds and loans were up 1,874 million Euros, from 48,762 million Euros at the end of the first half of 2016 to 50,636 million Euros recorded at 30 June 2017, benefiting from the contributions of the operation in Portugal and of the operations abroad.

Total customer funds reached 66,070 million Euros as at 30 June 2017, climbing 5.2% versus the 62,823 million Euros recorded on 30 June 2016, due to the performance of the group in Portugal and abroad.

Total equity, including non-controlling interests, stood at 6,946 million euros as at 30 June 2017, which compares with 5,014 million euros posted on the same date of 2016. For further information and details on the composition and evolution of the equity please see the Consolidated Statement of Changes in Equity for the six months period ended 30 June, 2016 and 2015 in the Accounts and Notes to the Consolidated Accounts for the First Half of 2016.

BALANCE SHEET AS AT 30 JUNE 2017 AND 2016 AND 31 DECEMBER 2016 Euro million

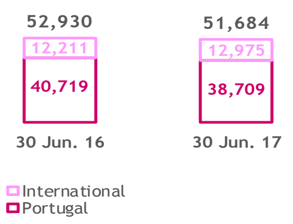
	30 Jun. 17	31 Dec. 16	30 Jun. 16	Change 17/16
Assets				
Cash and deposits at central banks and loans and advances to cr	3,038	3,079	3,983	-23.7%
Loans and advances to customers	48,066	48,018	49,186	-2.3%
Financial assets held for trading	974	1,049	1,234	-21.1%
Other financial assets held for trading				
at fair value through profit or loss	142	147	145	-2.1%
Financial assets available for sale	12,385	10,596	11,023	12.3%
Financial assets held to maturity	451	511	419	7.7%
Investments in associated companies	596	599	559	6.7%
Non current assets held for sale	2,224	2,250	1,906	16.7%
Other tangible assets, goodwill and intangible assets	652	636	670	-2.7%
Current and deferred tax assets	3,173	3,202	2,804	13.2%
Other (1)	1,323	1,178	1,139	16.2%
Total Assets	**73,024**	**71,265**	**73,068**	-0.1%
Liabilities				
Deposits from Central Banks and from other credit institutions	9,373	9,938	11,229	-16.5%
Deposits from customers	50,636	48,798	48,762	3.8%
Debt securities issued	3,121	3,513	4,018	-22.3%
Financial liabilities held for trading	476	548	614	-22.4%
Subordinated debt	851	1,545	1,660	-48.7%
Other (2)	1,621	1,659	1,771	-8.5%
Total Liabilities	**66,078**	**66,000**	**68,054**	-2.9%
Equity				
Share capital	5,601	4,269	4,094	36.8%
Treasury stock	-	(3)	(4)	92.4%
Share premium	16	16	16	-
Preference shares	60	60	60	-
Other capital instruments	3	3	3	-
Fair values reserves	(23)	(131)	(52)	55.4%
Reserves and retained earnings	201	144	239	-15.4%
Net income for the period attributable to shareholders	90	24	(197)	145.6%
Total equity attributable to Shareholders of the bank	**5,948**	**4,382**	**4,159**	43.0%
Non-controlling interests	998	883	855	16.7%
Total Equity	**6,946**	**5,265**	**5,014**	38.5%
Total Liabilities and Equity	**73,024**	**71,265**	**73,068**	-0.1%

(1) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.

(2) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.

Loans to Customers

LOANS AND ADVANCES TO CUSTOMERS
Euro million



Loans to customers (gross) amounted to Euro 51,684 million as at 30 June 2017, compared to Euro 52,930 million recorded as at 30 June 2016, hindered by the decrease in the activity in Portugal, despite the increase showed by the international activity.

In the activity in Portugal, loans to customers decreased 4.9% from 30 June 2016, reflecting the aim of reducing NPEs, notwithstanding the initiatives focused on meeting the financing needs of companies and individuals. It is worth noting the stabilization of the performing loans portfolio in the first half of 2017, reflecting significant increases in loans to individuals and to companies.

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.

Loans to customers in the international activity increased 6.3% from 30 June 2016, mainly reflecting the growth of loans to companies in the operations in Poland and Mozambique. Excluding the exchange rate effects, loans to customers would have increased 1.2%.

The structure of the loans to customers' portfolio showed identical and stable levels of diversification between the end of June 2016 and June 2017, with loans to companies representing 47% of total loans to customers as at 30 June 2017.

LOANS TO CUSTOMERS (GROSS)

Euro million

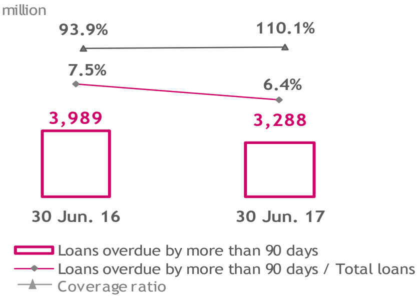
	30 Jun. 17	30 Jun. 16	Change 17/16
Individuals	**27,468**	**28,413**	**-3.3%**
Mortgage	23,678	24,494	-3.3%
Consumer and others	3,790	3,918	-3.3%
Companies	**24,216**	**24,518**	**-1.2%**
Services	9,277	9,686	-4.2%
Commerce	3,295	3,132	5.2%
Construction	2,779	3,166	-12.2%
Others	8,865	8,534	3.9%
Total	**51,684**	**52,930**	**-2.4%**
Of which:			
Portugal activity	38,709	40,719	-4.9%
Foreign activity	12,975	12,211	6.3%

Credit quality, determined by loans overdue by more than 90 days as a percentage of total loans, showed a favourable performance, dropping from 7.5% as at 30 June 2016 to 6.4% as at 30 June 2017, while the corresponding coverage ratio for loans overdue by more than 90 days improved from 93.9% as at 30 June 2016 to 110.1% in the same date of 2017.

The credit at risk ratio reached 10.1% as at 30 June 2017, which compares favourably with 11.9% on the same date of the previous year. As at 30 June 2017, the restructured loans ratio stood at 9.6% of total loans, from 10.0% registered as at 30 June 2016, and the ratio of restructured loans not included in the credit at risk stood at 5.5% of total loans compared to 5.4% at the same date of 2016.

CREDIT QUALITY

Euro million



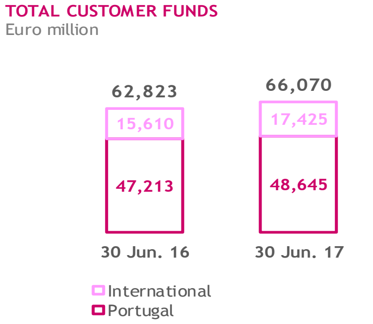
OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 30 JUNE 2017

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	**686**	**716**	**2.5%**	**104.4%**
Mortgage	256	324	1.1%	126.6%
Consumer and others	430	392	10.2%	91.2%
Companies	**2,602**	**2,902**	**10.9%**	**111.5%**
Services	965	1,564	10.9%	162.1%
Commerce	226	198	6.9%	87.5%
Construction	823	647	29.6%	78.6%
Others	587	493	6.6%	84.0%
Total	**3,288**	**3,618**	**6.4%**	**110.1%**

Customer Funds

Total customer funds, reached Euro 66,070 million as at 30 June 2017, showing an increase of 5.2% compared to Euro 62,823 million as at 30 June 2016, supported by the performance of both the international and the activity in Portugal.



Total customers funds in the activity in Portugal, reached Euro 48,645 million as at 30 June 2017, increasing 3.0% compared to Euro 47,213 million at the same date of 2016, benefiting from both, the growth in off-balance sheet customer funds, which increased by Euro 1,272 million, and on balance sheet customer funds, highlighting the performance of resources from customers, which increased by Euro 312 million from 30 June 2016.

In the international activity, total customer funds, totalled Euro 17,425 million as at 30 June 2017, increasing 11.6% from Euro 15,610 million as at 30 June 2016, highlighting the performance of the subsidiary in Poland, namely in what concerns to resources from customers. Excluding the exchange rate effects total customer funds of the international activity grew 6.5%.

As at 30 June 2017, balance sheet total customer funds represented 79% of total customer funds, with resources from customers representing 77% of total customer funds.

According to Bank of Portugal's Instruction no. 16/2004, the loan to deposits ratio improved from 102% as at 30 June 2016 to 95% as at 30 June 2017, benefiting from the Euro 3.0 billion reduction of the commercial gap. The same ratio, considering the total on-balance sheet customers' funds, stood at 92% (97% as at 30 June 2016).

TOTAL CUSTOMER FUNDS — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Balance sheet total customer funds	**52,228**	**50,500**	**3.4%**
Resources from customers	50,636	48,762	3.8%
Debt securities	1,592	1,738	-8.4%
Off-balance sheet customer funds	**13,842**	**12,323**	**12.3%**
Assets under management	4,461	3,847	16.0%
Capitalisation products	9,382	8,476	10.7%
Total	**66,070**	**62,823**	**5.2%**

Securities portfolio

The securities portfolio, which includes financial assets held for trading, other financial assets held for trading at fair value through profit or loss, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity, stood at Euro 13,967 million as at 30 June 2017, compared to Euro 12,832 million posted at the same date of the previous year, mainly reflecting the performance of the subsidiary in Poland, and representing 19.1% of total assets (17.6% as at 30 June 2016).

SECURITIES PORTFOLIO — Euro million

	30 Jun. 17	30 Jun. 16	Change 17/16
Financial assets held for trading	974	1,234	-21.1%
Financial assets available for sale	12,385	11,023	12.3%
Assets with repurchase agreement	15	11	46.0%
Financial assets held to maturity	451	419	7.7%
Other financial assets held for trading at fais value through profit or loss	142	145	-2.1%
Total	**13,967**	**12,832**	8.8%

BUSINESS AREAS

ACTIVITY BY SEGMENT

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 the 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 shown for the net income reflect the individual net income of the business units, regardless of the percentage stake held by the Group, and the impacts of the transfers of funds described above.

The operating costs allocated to the business segments do not include the profit related to the impacts from the Collective Labour Agreement negotiation and restructuring costs in the first half of 2017, nor the restructuring costs in the same half of 2016.

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

RETAIL

Million euros

Retail Banking	30 Jun. 17	30 Jun. 16	Chg. 17/16
Profit and loss account			
Net interest income	203.8	189.7	7.4%
Other net income	192.5	181.2	6.2%
	396.3	370.9	6.8%
Operating costs	233.3	242.3	-3.7%
Impairment	36.4	36.9	-1.6%
Net (loss) / income before income tax	126.6	91.7	38.1%
Income taxes	37.4	27.0	38.4%
Net (loss) / income after income tax	89.2	64.7	38.0%
Summary of indicators			
Allocated capital	494	515	-4.1%
Return on allocated capital	36.9%	25.2%	
Risk weighted assets	4,420	5,036	-12.2%
Cost to income ratio	58.6%	65.3%	
Loans to Customers	16,820	17,361	-3.1%
Total Customer funds	33,250	32,897	1.1%

Notes:

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

Highlights of the first half-year of 2017

- 88,000 new Customers.
- The Bank reached the target of 1,022,000 Clients with an integrated solution.
- 57% of the active accounts use the E-Statement.
- BCP 2017 Share Capital Increase with a strong mobilization of the commercial teams of Retail for the provision of information to the Shareholder Customers and Investors.
- The number of users of the digital channels increased 23% versus the same period of 2016.
- Loans to individuals increased 24% versus the same period of 2016.
- A 9.1% increase in the number of transactions with debit and credit cards and of 8.0% in terms of volume invoiced year-over-year.
- 9.6 % rise in the number of transactions with debit and credit cards and an 8.0% increase in the volume invoiced, year-over-year.
- During the first six months of 2017, there was a noteworthy effort to sell POS contracts, with an increase of 3,300 new POS machines, a 7.2% growth and a market share increase of 0.5 p.p..

Strategy

- Increase of the Client base, binding the sub-segments with a higher value and increased customer service experience focused on the digital component.
- Strong focus on innovation, particularly in digital.
- Decrease in the cost of liability products continuing to pay a permanent attention to the retention of customer funds, with the purpose of improving the Bank's net interest income, crucial for the completion of its strategy focused on the defence of its financial strength and on the recovery of its profitability levels.
- Capture of credit operations with good risk customers to increase margin and fees, as well as renew and improve the quality of the loan portfolio.
- Maintain and increase the use of debit and credit cards of Millennium bcp which, apart from the comfort they offer to our Clients for the comprehensive nature of the offer and reliable use, also enable to strengthen the Client's relation with the Bank as well as the Client's loyalty and increment of the respective share of wallet.
- Capture of new clients through POS supported by the Bank and strengthening of the relations with current clients.

Activity

Mass Market

- Campaign “Conseguimos Mais” to capture Mass Market Clients, aimed at a stronger binding of new Customers via the payment of their wage through Millennium bcp, which consisted of the attribution of 10% of the first wage deposited in a savings account as a way to increase savings appetite from the moment one starts to work.
- Campaign “Do you want to go to SOMNII? Then GO!”, to strengthen the capture of clients in the youth segment.
- Reinforcement of the product actions which offer benefits for new Clients in terms of insurances and investment products.

Prestige

- 36% increase in new Prestige Clients, versus the same period of 2016, due to the systematic commercial improvement supported by the Institutional campaign “Conseguimos Mais 10% do seu ordenado”, which attributed to new Clients 10% of the value of the 1st wage, placed in a Wage Savings Account or Wage PPR, up to 400 Euros.
- Implementation of a business model promoting a more specialized customer service for Prestige clients, enabling servicing clients in their preferential channels, always with the follow-up of a Manager, in a Branch or through a Remote Personalized Management service.
- Completion of Relational Marketing actions with Prestige Clients during the Estoril Open Tennis Tournament.
- Launching of a campaign on retirement solutions, which can be seen in the Branches and in Social networks, promoting the diversification of the financial assets and focusing on savings and on medium and long-term investment.
- Actions to promote the placement and use of MTrader by the Clients so that they become more familiar with this interface for the trading and visualization of different securities traded in the main world stock exchanges and with research in real-time.
- Increase in the number of Digital clients (users of the website, App and with e-Statement) through the campaign “Cliente Mais Digital”, with the awarding of 3 Microsoft Surface Pro 4 tablets.

Clients Residing Abroad

- A 54% growth in the number of Clients residing abroad since the beginning of the year supported by referral, communication and strengthening of the relation with the Clients in countries with the largest communities of emigrants and via protocols for the capture of Non-habitual Residents and with individuals with Golden Residence Permits.

- Promotion of monthly regular transfers applied mainly to diversification oriented and retirement products.
- Development of actions promoting a greater interaction between the Retail network in Portugal and the External network, namely with Banque BCP in France, in a crossed capture action.

Businesses

- Strong increase in the major micro credit business lines during the first six months of 2017, both in the number of Clients, volume of funds granted, capture of treasury, the installation of POS, as well as in the Company Clients Funds.
- Support to the commercial activity of Companies, through the Factoring and Confirming lines with a 16% growth in the portfolio since the beginning of the year, and in Trade Finance, with a 20% rise in the number of transactions and 41% in the amount.
- Ongoing support to companies within the scope of the Portugal 2020 Programme, namely in the application and execution of their projects. The Bank achieved the leading position in the market study "2017 Financial Barometer" from consultants DATA E as the bank most mentioned by the companies which resorted to funding within the scope of this Programme.
- Development of initiatives to develop the use of the Capitalize Line and increase of the interaction with the Mutual Guaranty Companies.
- Consolidation of the presence of Millennium bcp in Companies with franchising business models (Master and Franchisee), through meetings with Brands and by participating in events held by the sector.
- Launching of the Programme Empresa Aplauso 2017, which continues to distinguish companies with good risk and a greater involvement with the Bank through the attribution of a set of financial and non-financial benefits - the newest benefit is the provision of exclusive services in the Companies App.
- Growth in the sale of the integrated solution “Frequent Business Client” with more than 60,000 companies. This solution enables them to, among other benefits, make transfers using the internet with no additional costs.

Products and payment means

- Strong focus on digital with the possibility of making a loan request on the website, on the Millennium App and on the Mobile website.
- The Bank developed several actions in consumer loans, namely special price conditions and targeted sales, which translated into an increase in the number of consumer loans granted.
- Expansion of the real estate loans through the loan campaign 3 or 6 months free of interest, a unique and attractive offer, highly valued by the Clients, continuing to be strongly focused on fixed rate solutions, development and adjustment of the mortgage loans solutions, namely special conditions for credit transfers and moving home.
- Presentation of investment solutions to diversify the financial assets of Clients, with products such as Certificates, Indexed Deposits, Investment Funds and Financial Insurance.
- The Bank also participated in the organization and distribution of the 4th series of Obrigações do Tesouro de Rendimento Variável (OTRV), floating rate treasury bonds, which took place in April 2017.
- Exclusive sponsorship of Restaurant Week, an event with significant media coverage at a national level and a strong component of solidarity.
- The exclusive partnership with NOS with the offer of a movie ticket with the purchase of one provided that the payment is made with a Millennium bcp credit card.

- Launching of a new POS, Avançar, which gave a strong contribution to the growth recorded, with a more flexible pricing structure, better adjusted to the businesses; the retailer only pays for what they invoice, as long as they invoice at least 500 euros every month.
- Launching of an exclusive and integrated solution for the Customers, “Prestige Direto”, with a self-directed profile, promoting the capture of new Customers and fostering the relation with the Bank.
- Launching of a new account opening process for companies enabling these clients to, in their first contact with the Bank, experience a simpler process, quicker and with more time devoted to knowing the needs of the company and the services made available by the Bank, leaving to the back-office the issues of a more procedural and operational nature.
- Launching of the 1st Life Insurance product without a medical questionnaire in Portugal.
- Launching of the Móbis App for vehicle insurance.
- An increased digital promotion of insurance with several advertising campaigns. The purchase of Risk Insurance through the website of Millennium bcp increased significantly.
- More personalized commercial communication based on digital channels, such as e-mail and digital leaflets, thus enabling a better explanation and perception of the "Digital World,” implying a lesser use of paper and a faster contact with the Client.

Microcredit

- Increased commitment towards Microcredit. The Bank participated in more microcredit events.
- 111 operations were financed, totalling 1.139 million Euros. The volume of active credit granted to the 1,036 operations in the portfolio, up to 30 June 2017, totalled 7.14 million euros.

ActivoBank

- Increase of non-banking recommendations (Associates) and of the approach to Employees of the companies identified with the Bank's target (worksites);
- The bank maintains digital actions using AdWords;
- Beginning of the reformulation of Activo Points with the installation of a pilot project in the new Ponto Activo in Colombo Shopping Centre;
- Development of several marketing actions during the summer in a beach environment, sponsoring several events;
- A page was launched on LinkedIn to increase the number of Associate Promoters.
- Launching of two communication campaigns to capture new customers funds, disclose and increase the granting of personal loans and increase investment in risk products;
- Ongoing development of new tools on the website and App, particularly the new personal and mortgage loans simulators, which also enable the registration of the loan request.

Income

Net (loss)/income after income tax from continuing operations totalled 89,2 million Euros in the first half of 2017 (64.7 million Euros in the same half of 2016), mainly due to increase in the banking product and to the reduction in operating costs:

- Net interest income went up to 203.8 million Euros in the first half of 2017 (189.7 million Euros at the end of June 2016), mainly due to the sustained decrease in the rate of deposits.
- Other net profits rose from 181.2 million Euros in the first half of 2016 to 192.5 million Euros in the first half of 2017, evidencing a 6.2% increase.
- Operating costs went 3.7% down versus the same period of 2016, reflecting the continuous implementation of the initiatives that were set out in the Strategic Plan.
- Impairment charges amounted to 36.3 million Euros in the first half of 2017, a slight improvement versus the 36.9 million Euros recorded in the first half of 2016.

- In June 2017, loans to customers totalled 16,820 million Euros, decreasing from the 17,361 million Euros registered on the same period of 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 33,250 million Euros by the end of June 2017 (32,897 million Euros recorded in June 2016).

COMPANIES, CORPORATE & INVESTMENT BANKING

Million euros

Companies, Corporate & Investment Banking	30 Jun. 17	30 Jun. 16	Chg. 17/16
Profit and loss account			
Net interest income	135.8	141.0	-3.6%
Other net income	85.6	77.4	10.5%
	221.4	218.4	1.4%
Operating costs	44.4	48.1	-7.7%
Impairment	123.2	271.5	-54.6%
Net (loss) / income before income tax	53.8	(101.2)	-153.2%
Impostos	15.2	(30.0)	-150.8%
Net (loss) / income after income tax	38.6	(71.2)	-154.2%
Summary of indicators			
Allocated capital	723	767	-5.8%
Return on allocated capital	10.8%	-18.7%	
Risk weighted assets	7,009	7,154	-2.0%
Cost to income ratio	20.0%	22.0%	
Loans to Customers	10,847	10,880	-0.3%
Total Customer funds	10,983	9,894	11.0%

Notes:

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

Highlights of the first half-year of 2017

- Financial support to more than 1,800 companies in the amount of around 940 million euros within the scope of the new partnership established between the Bank and the European Investment Bank (EIB), in the amount of 500 million euros.
- Contracting of around 920 new operations, within the scope of the lines PME Crescimento 2015 and Capitalizar (which replaces PME Crescimento 2015), in a total amount of approximately 90 million euros.
- Financing of more than 1.000 projects, representing 30.6% of the Portugal 2020 projects (Data E figures).
- Maintenance of the strategy to increase the support to the Portuguese exporting sector, by holding three more editions of Roteiros Millennium Exportação – Colombia, Canada and Poland – and launching a new initiative to promote exporting and international companies – the Awards "Millennium Horizontes". This positioning led more exporting companies to select Millennium bcp as their main bank. Millennium bcp was selected as such by 33.9% of the Portuguese exporting companies (Financial Barometer DataE)."
- Granting of new loans amounting to approximately 86 million euros in the wake of the Line FEI Inovação, a line contracted with the Investment European Fund to provide support to innovative companies.
- New leasing agreements contracted by the Companies and Corporate Networks in the amount of approximately 100 million euros.

- In comparison with the same period of 2016, the factoring and confirming (reverse factoring) areas grew 33% and 37%, respectively, in terms of invoice financed and credit balance.

Strategy

Millennium bcp Companies and Corporate Network (Portugal)

- Strong proximity to companies based on (i) a global partnership to support their current activities and (ii) new investments, enhanced by a mutual knowledge.
- Increase of the offer to companies, within an aggregating rationale, using solutions to strengthen capitalization, support the operating cycle, the execution of new investment projects and the implementation of internationalization strategies.
- Increase of cross networking by presenting solutions adjusted to the different company's stakeholders.
- Improvement of the processes efficiency for the provision of distinctive and differentiating service levels.

Investment Banking

- Efforts to generate new deals carried out by the origination areas, focused on the Group's core markets, mainly on investment flows involving Portugal, Poland, Angola, Mozambique, Brazil and China, but also the Latin American market, namely Colombia, due to the relevance that this region has to the Millennium bcp customer base.
- Strategic initiatives to increase the cooperation with other networks of the Bank, closer to Clients, developing the network through international institutional investors and strategic partners in different markets.

International

- The Bank continued to work on the consolidation of international partnerships within a context of continuous change, namely in regulatory requirements and market conditions, which impact on the correspondence relationships.
- Continuous perfecting and customization of the product range, to keep it competitive and compliant, from transactional services, trade finance or custody, backed by a network of over one thousand correspondent banks that cover all countries relevant to the Portuguese economy, to a set of agreements with multi-lateral entities.

Real estate business

- The Bank continues to make a close follow-up of Clients and projects, anticipating needs and developing restructuring and recovery solutions with the purpose of reducing the risk of the financing associated with real estate and improve the contribution for the Bank's consolidated earnings.
- Regarding the sale of real estate assets, the Bank continued its strategy of promoting the sustainability of the assets, reducing expected losses;
- The Restructuring & Placement area continued to work actively in the restructuring of files related with real estate credits and assets in order to foster the step-in strategies defined, with the consequent appropriation of value for the Bank and respective optimization of the entire process for the placement of these assets.

Interfundos

- Reinforcement of the continuity and financial stability of the Organismos de Investimento Imobiliário (OII), undertakings for investment in real-estate, and the creation of liquidity conditions for the participants, together with the consolidation of its market leadership position.

Activity

Millennium bcp Companies and Corporate Network (Portugal)

- Signing of a new contract with the EIB, in the additional amount of 500 million euros. It is addressed to SMEs (companies with less than 250 workers) MidCaps (companies with 250 to 3,000 workers) and other entities from the public and private sectors such as municipalities, with the possibility of granting funds up to 12.5 million euros per project (in the case of SME) or up to 25 million euros (for MidCaps), with terms between 2 to 8 years. This new contract already enabled the Bank to finance more than 1,800 Companies using a global amount of approximately 940 million euros.
- Subscription of the new Line Capitalizar, a financing solution to improve cash flow and also for new investments, namely those associated with the Programme Portugal 2020. With a global limit of 1.6 billion euros, the credit facility Capitalizar is to be used by companies from different activity sectors, preferably by SMEs. Capitalizar replaces the PME Crescimento 2015 Line and, during the first six months of 2017 around 920 new operations have been made using these two Lines, in a global amount of around 90 million euros.
- Funding of the Projects of “Compete” and of the Regional Programmes of mainland Portugal. Launching of specific offers for the sectors of Agriculture, Industry, Tourism, Education and Social Economy aiming at the capture of more projects coming from these important economic sectors within the scope of Portugal 2020.
- Reinforcement of the Line to Support the Qualification of Offer with an additional 75 million euros. The objective of this Line is to fund projects for the re-qualification of existing tourism undertakings and the creation of tourism undertakings that set themselves apart from the existing offer.
- Launching of the Programme Agro Futuro, as part of a global line of 250 million euros for the promotion of investment and support to treasury with solutions for the financing of projects part of PDR 2020, purchase of equipment, support to innovation, anticipation of subsidies approved by the IFAP, factoring and confirming solutions.
- Support to new investment in Companies, with emphasis on: (i) Granting of new loans, amounting to approximately 86 million euros, in the wake of the Millennium FEI Inovação Line, contracted with the European Investment Fund to provide support to innovative companies, and (ii) Contracting in the Companies and Corporate Networks of a new leasing production amounting to approximately 100 million euros.
- Maintenance of the focus on factoring and confirming solutions to support the management of treasury of the companies, notably the launching of the institutional campaign “Cash on Time Plus”, with preferential conditions in terms of fees, increasing the visibility of the Bank's offer. As a result of the commercial action, the factoring and confirming activity, in the first six months of 2017, recorded year-on-year increases of 33% and 37% respectively in terms of invoices for collection and factoring credit balance.

Investment Banking

- Advising in M&A operations, notably the co-leadership of the structured sale of EDP Gás and in the shareholding reconfiguration of Group Ascendi.
- Effort to reorient the activity developed by the Project Finance Department, increasing its focus on international core markets and on structures which favour disintermediation. In Portugal, we must emphasize the transactions of Trustwind, Tagusgás and CBF and the several operations in the renewable energies segment. Also worth mentioning are the participation of Millennium bcp in the project Oil&Gas of area 4 (“Floating LNG”) in Mozambique and the number of relevant projects currently under way in core countries.
- The analysis, structuring, negotiating and setting up new funding operations in Portugal (recreation, construction, energy, industry, distribution, transportation, cement, etc.), Angola (energy, engineering and health) and Mozambique (food, construction, engineering and public sector), as well as several restructuring operations for large companies and economic groups in Portugal.

- Contribution given by Millennium Investment Banking in the issue of OTRVs, the organization of issues from Saudaçor, of the Autonomous Regions of the Azores, and Madeira, and from Secil. At the same time, MIB continued to take part in the issues made by recurrent market issuers, such as EDP and Brisa.
- In the segment Equity Capital Markets we must point out the MIB's contribution in the share capital increase of Millennium bcp and its positioning in the structuring of the takeover bid launched by EDP on EDP Renováveis.

Real estate business

- Commercial follow up of the real estate promotion Customers involving all stages of the Client's activity;
- The incentive for M Imóveis, a commercial programme for Customer undertakings, creating better conditions for the sale of the financed projects, continues to leverage the commercial activity;
- The diagnosis, re-structuring and valuation models continue to be developed as well as new opportunities to place credits (assets);
- Search and development of new markets by attending road shows, international seminars and fairs, both in Portugal and abroad (Paris, London and Madrid).
- Visits from several groups of international investors in Portugal, coming from England, Spain, USA, Brazil, Macau, France and China.
- Carrying out of campaigns, regional and domestic (Month of Opportunities, Summer Campaign, Entrepreneurial Campaign and Major Opportunities) and of promotions for each asset segment exclusively for the M Imóveis website;
- Regularisation, repositioning and conclusion of real estate properties, aiming to enable and speed up the sale process and to decrease the time during which the assets are owned by the Bank;
- The diagnosis, re-structuring and valuation models of real estate trade related assets continued to be developed, as well as the ongoing operating and consolidation of new channels to place these assets.

Interfundos

- Global sales reached 74 million euros, corresponding to 121 real estate properties in total;
- Extension of the term for the duration of five OII (Real Estate Investment Organisms) (Intercapital, Sand Capital, Stone Capital, Inogi Capital and Oceanico III).
- Interfundos carried out four capital increases (OII Oceanico III, OII MR, OII Sand Capital and OII Stone Capital) and five capital decreases (OII Património, OII Sand capital, OII Stone Capital, OII I Marope and OII Imoport);
- Establishment of an OII (Predicapital).
- Granting of the license for the creation of housing lots regarding the Urban Rehabilitation Contract of D. João I block – a real estate property owned by OII AF Portfólio Imobiliário and Imopromoção – and beginning of the project's commercialization.
- In the first six months of 2017, the volume of assets of the 39 OIIs managed by Interfundos totalled 1,425 million Euros.

International

- The Bank continued to optimize its relations with correspondent banks, identifying the need for stronger strategic partners, with a reciprocal generation of value. Within this context, the initiatives "Roteiros Millennium" Exports, for Colombia, Canada and Poland, resulted in the strengthening of relations with local banks.
- Within the scope of the relations established with multilateral entities, the Bank ensured the continuity of instruments supporting the funding of SME and Mid Cap. We must mention the establishment of a credit line with the European Investment Bank (EIB), amounting to 250

million euros and the successful negotiations with the European Investment Fund for the renewal of a portfolio guarantee amounting to 200 million euros. Funding from the EIB to a project in Angola from a Client from the Corporate network was also achieved.

- Still regarding the support to the commercial network for the promotion of commercial exchanges, the Bank achieved a 70 million USD limit from a Brazilian governmental bank, the BNDES.
- Pursuant to the implementation of the several stages of the T2S (Target to Securities) the Bank continued to centralize the custody of international clients in major multi-geographical players and in proprietary solutions. On the other hand, the Bank has been capturing more business from resident institutions in the segments of Pension Funds, Insurance and risk capital funds.

Income

Net income after tax from continuing operations totalled 38.6 million euros in the first half of 2017, which compares to a loss of 71.2 million euros in the same half of 2016, caused mainly by the decrease in impairment charges:

- Net interest income rose to 135.8 million euros in the first half of 2017 (141.0 million euros at the end of June 2016), reflecting the impact of the decrease in average interest rates for credit.
- Other net profits rose from 77.5 million euros in the first half of 2016 to 85.6 million euros in the first half of 2017, up 10.5%.
- Operating costs totalled 44.4 million euros in the first half of 2017, a 7.7% decline versus the first half of 2016 (48.1 million euros).
- Impairment stood at 123.2 million euros in the first half of 2017, 54.6% down from 271.5 million euros at the end of June 2016, translating the trend towards a normal cost of risk in the activity in Portugal.
- As at June 2017, loans to customers totalled 10,847 million euros (10,880 million euros in the same period of 2016), following the still modest recovery of the Portuguese economy, in spite of the continued focus on offering solutions to support the business structure.
- Total customer funds as at June 2017 reached 10,983 million euros (9,894 million euros recorded in the same period of 2016) showing the rise in customers deposits and in off-balance sheet customer funds.

PRIVATE BANKING

Million euros

Private Banking	30 Jun. 17	30 Jun. 16	Chg. 17/16
Profit and loss account			
Net interest income	7.9	7.5	5.4%
Other net income	19.6	16.5	18.9%
	27.5	24.0	14.7%
Operating costs	7.4	7.5	-1.5%
Impairment	2.3	0.9	150.5%
Net (loss) / income before income tax	17.8	15.6	14.4%
Income taxes	5.1	4.6	11.0%
Net (loss) / income after income tax	12.7	11.0	15.8%
Summary of indicators			
Allocated capital	12	10	13.3%
Return on allocated capital	213.8%	217.5%	
Risk weighted assets	125	105	19.3%
Cost to income ratio	28.8%	31.3%	
Loans to Customers	211	177	19.5%
Total Customer funds	5,772	5,293	9.1%

Notes:

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

Highlights of the first half-year of 2017

- Capture of new Clients to refresh the client base and increase resources;
- Significant growth of the volume of fees if compared with the budgeted figures driven by the strong contribution provided by Assets under discretionary management.

Strategy

- Contribute to the sustained growth of the Bank's business.
- Focus on new resources by the capture of new Customers and the increase of the share of wallet of the current ones.
- Provide Customers with a distinctive value proposal based on an integrated offer adjusted to their specific needs, on the consolidation of an advisory model in an open architecture and on the synergies deriving from the interaction between the Private Bankers and certified Investment Experts.

Activity

- Promotion of thematic sessions of a strategic nature:
    - Extension of the offer to Customers without Advisory and without discretionary management
    - The commercial challenges coming from the new Markets in Financial Instruments Directive (MiFID II)
    - Digital and Communication with Customers
    - Regulation and Operational Simplification.
- Training sessions in several areas including Taxation, MiFID II, Funds and Insurance in order to ensure greater staff expertise.
- Provision of an active contribution in the several fronts existing within the MiFID II work groups.

Income

From a geographic segmentation standpoint, net income after income tax from continuing operations in the Private Banking area totalled 12.7 million euros in the first half of 2017 (11.0 million euros in the same half of 2016), mainly due to increase in the banking product and despite the increase in impairment:

- Net interest income went up to 7.9 million euros in the first half of 2017 (7.5 million euros at the end of June 2016), mainly due to the sustained decrease in the rate of deposits.
- Other net profits rose to 19.6 million euros in the first half of 2017 (16.5 million euros in the first half of 2016), representing an 18.9% increase.
- Operating costs amounted to 7.4 million euros in the first half of 2017, 1.5% down versus the amount recorded in the first half of 2016.
- Impairment stood at 2.3 million euros in the first half of 2017, up from 0.9 million euros in the same period of the previous year.
- Loans to customers amounted to 211 million euros by the end of June 2017 (177 million euros recorded in June 2016).
- Total customer funds reached 5,772 million euros as at June 2017 (climbing 9.1% versus the amount recorded on 30 June 2016), due to the performance of assets under management.

FOREIGN BUSINESS

Million euros

Foreign Business	30 Jun. 17	30 Jun. 16	Chg. 17/16
Profit and loss account			
Net interest income	281.0	233.5	20.3%
Other net income (*)	118.7	167.8	-29.3%
of which: equity accounted earnings from BMA (*)	15.8	3.0	>200%
	399.7	401.3	-0.4%
Operating costs	179.1	174.3	2.8%
Impairment	45.3	43.7	3.6%
Net (loss) / income before income tax	175.3	183.3	-4.4%
Income taxes	42.6	48.1	-11.4%
Net (loss) / income after income tax from continuing operations	132.7	135.2	-1.9%
Net (loss) / income from discontinued operations (**)	--	36.8	-100.0%
Net (loss) / income after income tax	132.7	172.0	-22.9%
Summary of indicators			
Allocated capital	1,279	1,207	6.0%
Return on allocated capital	20.9%	28.7%	
Risk weighted assets	10,374	10,061	3.1%
Cost to income ratio	44.8%	43.4%	
Loans to Customers	12,523	11,815	6.0%
Total Customer funds	17,425	15,610	11.6%

(*) 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).

Highlights of the first half-year of 2017

- BCP remained focused on its core markets: Poland, Mozambique, Switzerland and Macau.
- Bank Millennium recorded a profit of 73.7 million euros, showing an improvement in profitability and in operational efficiency (ROE in 8.9% and Cost-to-Income in 46.3%). The Core result was the driving force of the improvement recorded in profitability by increasing 13.5% versus the same period in 2016. We must point out the maintenance of the quality of assets with the cost of risk at 52 b.p. and the comfortable liquidity shown by the loans to deposits ratio (82%). The capital ratios remain high, with the Consolidated Total Capital Ratio and the Common Equity Tier 1 at 18.0% (not including yet the results of the first half-year).
- Millennium bim, in Mozambique, recorded a net income of 42.8 million euros, up 42.6% versus the first six months of 2016, with a ROE of 25.8%. The Core Result was the main driving force of this improvement, growing 31.2% due to the increase in net interest income (+59.0%) and fees (+14.3%). Operating income increased 18.8%. The capital ratio stood at 25.8%. Millennium bim was elected the best bank by *Euromoney*.
- Millennium Banque Privée recorded a net income of 3.4 million euros, representing a 27.3% growth compared with the same period of 2016.

Strategy

- Bank Millennium continued to implement its strategic plan for 2015-17, keeping the general path but introducing some adjustments as a result of tax and regulatory amendments.
- The main medium term goals of Bank Millennium are centred on the protection and recovery of profitability, which suffered the negative impact of the new bank contribution, betting in the main business segments: retail and companies. The main goals are the following: reach 1.6 million active Retail Customers; increase market share in customer funds to more than 6%; keep the cost to income ratio between 45%-47%; keep the loans to deposits ratio under 95% and comfortably comply with the relatively high capital adequacy thresholds defined by the domestic regulator.
- Millennium bim developed two innovative concepts to expand its network: Promotion of the Bank Agents aimed at expansion and easing the congestion of the network and a partnership with Correios de Moçambique for the opening of new Branches.
- Millennium Banque Privée continued to provide discretionary management services to individual and institutional customers of the Group with significant assets, as well as financial advisory and orders execution services.
- The Macau Branch of Millennium bcp continued to centralize its activity in the provision of services to the Bank's networks by supporting individuals and company customers of the Bank, in broadening the base of local customers and expanding its activity around the China – Macau – Portuguese speaking countries - focusing on the offer of investment banking services.

Activity

Poland

- Acceleration in the capture of Retail Customers since the beginning of 2017 (an increase of 65,000, which enabled the Bank to reach 1.56 million Customers) seeking to gain scale in digital (by the end of the first six months of 2017 the Bank had 1.06 million customers using the homebanking services and 615,000 mobile Customers, showing a year-on-year increase of 17% and 42%, respectively) assessing the added marginal earnings per Customer, while maintaining the focus on products with a higher margin in order to maintain the profitability of the segment;
- Customer funds increased 8.3%, to 15.423 million euros and loans to customers increased 0.8% to 11.542 million euros.
- Keeping strict cost control and operational excellence, through a simplified digital operating model, preparing the IT platform for the future. The digital channels represented a paramount role in the distribution of products and services to individuals. In the first six months of the year, digital channels represented 99% of the transfers, 87% of the term deposits made, 37% of the consumer loans and 40% of the overdraft limits attributed.

Switzerland

- By the end of June 2017, total customer funds amounted to 2,780 million euros, representing a 4.9% increase vs. June 2016.

Mozambique

- Millennium bim opened 9 new branches and now has a total of 179 branches. The number of ATMs increased to 486 and of POSs to 8,317, 4% and 9% up vs the first six months of 2016, respectively. As a result of the bet on being closer to its Customers and keeping their trust, the Customer base grew 11.5% vs. the six months of 2016, reaching over 1.7 million.

Macau

- Support to Portuguese enterprises in the domiciling of activities in Macau for doing business with Southern China, wherein the branch acts as a support base;
- Expansion of trade finance operations to support Portuguese enterprises in exports to China and/or imports from China;
- Attracting companies trading in the Angolan capital market that have international trade operations with China.
- Support to Chinese Customers who, through the Millennium bcp network, apply for golden visas.
- Increase the contacts established between the Investment Banking area of Millennium bcp with Chinese companies seeking investment solutions in Portuguese-speaking countries.
- It is also worth mentioning the continuing development/modernization of the technological platform of the Branch, namely the solution for trade finance operations.
- In June 2017, customer funds stood at 877 million euros (-5.2%) and gross loans reached 368 million euros (-40.5%).

Cayman Islands

- In June 2017, Bank & Trust' customer funds stood at 347 million euros (-14.6%) and Bank & Trust' gross loans reached 39 million euros (-8.4%).

Earnings

Poland

Million euros

	1H 2017	1H 2016	Change % 17/16	1H 2016	Change % 17/16
				excluding FX effect	
Total assets	16,446	15,034	9.4%	15,785	4.2%
Loans to customers (gross)	11,542	10,907	5.8%	11,451	0.8%
Loans to customers (net)	11,199	10,587	5.8%	11,115	0.7%
Customer funds	15,423	13,559	13.7%	14,236	8.3%
Of which: on Balance Sheet	13,589	12,125	12.1%	12,731	6.7%
off Balance Sheet	1,834	1,434	27.9%	1,505	21.8%
Shareholders' equity	1,737	1,515	14.6%	1,591	9.2%
Net interest income	191.1	167.6	14.1%	172.2	11.0%
Other net income	93.2	133.9	-30.4%	137.6	-32.3%
Operating costs	131.7	126.2	4.3%	129.8	1.5%
Impairment and provisions	28.8	24.2	18.9%	24.9	15.7%
Net income	73.7	98.4	-25.1%	101.2	-27.1%
Number of customers (thousands)	1,564	1,421	10.0%		
Employees (number) (*)	5,865	5,897	-0.5%		
Branches (number)	360	392	-8.2%		
Market capitalisation	2,139	1,280	67.1%	1,344	59.2%
% of share capital held	50.1%	50.1%			

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

Source: Bank Millennium

FX rates:

Balance Sheet 1 euro =	4.2252	4.4362	zloties
Profit and Loss Account 1 euro =	4.2604	4.3788	zloties

(*) Number of employees according to Full Time Equivalent (FTE) criteria

- The Bank Millennium Group recorded net earnings totalling 314 million zloty (73.7 million euros) in the first half of 2017, a 27% decrease vs. the record income in the previous year, which was favoured by the Visa transaction from which the Bank, as a member, benefited in 2016.
- Excluding this extraordinary effect in 2016, the income achieved during the first six months of 2017 represents a 51% increase versus the same period in 2016.
- The cost-to-income ratio stood at around 46.3% and the ROE on 8.9%, translating an improvement in profitability and in operational efficiency.
- The Core result was the driving force of the improvement recorded in profitability by increasing 13.5% versus the same period in 2016.
- Net interest income and commissions increased 11.3% and 19.9%, respectively, versus the first six months of 2016.
- Operating costs recorded a slight increase (+1.5%), due to the rise in staff costs (+6.1%) compensated by a decrease in administrative costs (-3.1%). The number of employees remained stable and by the end of June of 2017 totalled 5,865. On that date, the bank had 360 Branches, 32 less than in June 2016.
- The cost of risk stood at 52 b.p. accrued since the beginning of the year and the loans to deposits ratio at around 82%.
- Bank Millennium keeps comfortable levels in terms of capital, liquidity and quality of assets. The capital ratios improved significantly in 2016; the Total Consolidated Capital Ratio and Common Equity Tier 1 stood at 18.0% (without including the result of the first half), enabling the bank to comfortably comply with the minimum capital requirements imposed by the regulator.

Switzerland

Million euros

	1H 2017	1H 2016	Change % 17/16	1H 2016	Change % 17/16
				excluding FX effect	
Total assets	538	624	-13.7%	621	-13.3%
Loans to customers (gross)	237	217	8.9%	216	9.4%
Loans to customers (net)	234	216	8.4%	215	8.9%
Customer funds	2,780	2,665	4.3%	2,652	4.9%
Of which: on Balance Sheet	452	519	-13.1%	517	-12.6%
off Balance Sheet	2,329	2,146	8.5%	2,135	9.1%
Shareholders' equity	78	79	-1.6%	79	-1.1%
Net interest income	2.3	2.0	13.5%	2.1	11.0%
Other net income	13.2	12.2	8.6%	12.5	6.1%
Operating costs	10.9	10.8	1.6%	11.0	-0.7%
Impairment and provisions	0.1	0.0	> 200%	0.0	> 200%
Net income	3.4	2.6	30.3%	2.7	27.3%
Number of customers (thousands)	1.9	1.7	13.4%		
Employees (number)	71	70	1.4%		
Branches (number)	1	1	0.0%		
% of share capital held	100%	100%			

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

FX rates:

Balance Sheet 1 euro =	1.0923	1.0867	swiss francs
Profit and Loss Account 1 euro =	1.0754	1.1004	swiss francs

- Despite the pressure on margins in the private banking industry, operating income reached 4.6 million euros, representing a 18.5% increase versus the same period in 2016 mainly due to the growth in Customers assets and the improvement of the mix of services provided by the Bank by increasing the discretionary management service.
- In spite of the fall in net interest income rate, net interest income grew 11% to 2.3 million euros as a result of the increase in loans to customers. Fees increased 8% in relation to the same period of 2016, to stand at 12.0 million euros. Operating costs decreased 0.7% to stand at 10.9 million euros, mainly due to costs associated with the development of the Bank's technological platform.
- By the end of the first six months of 2017, earnings before provisions increased by 0.8 million euros, to reach 3.5 million euros.
- Net income stood at 3.4 million euros, representing a 27.3% growth if compared with the same period of the previous year.

Mozambique

Million euros

	1H 2017	1H 2016	Change % 17/16	1H 2016	Change % 17/16
				excluding FX effect	
Total assets	2,046	1,739	17.6%	1,846	10.9%
Loans to customers (gross)	1,157	1,044	10.9%	1,108	4.5%
Loans to customers (net)	1,052	974	8.0%	1,034	1.8%
Customer funds	1,518	1,290	17.7%	1,369	10.9%
Of which: on Balance Sheet	1,518	1,290	17.7%	1,369	10.9%
Shareholders' equity	364	291	24.8%	309	17.6%
Net interest income	91.3	70.4	29.7%	57.4	59.0%
Other net income	24.3	37.7	-35.5%	30.7	-20.9%
Operating costs	42.7	44.0	-3.0%	35.9	18.8%
Impairment and provisions	14.9	12.2	22.4%	9.9	50.0%
Net income	42.8	36.8	16.3%	30.0	42.6%
Number of customers (thousands)	1,730	1,552	11.5%		
Employees (number)	2,563	2,520	1.7%		
Branches (number)	179	170	5.3%		
% of share capital held	66.7%	66.7%			

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

FX rates:

Balance Sheet 1 euro =	68.6870	72.8950	meticais
Profit and Loss Account 1 euro =	71.8837	58.6550	meticais

- Net Income increased 42.6%, to 42.8 million euros.
- ROE increased from 21.1% to 25.8%.
- Net operating income grew 31.2% amounting to 115.6 million euros, driven by the increase in net interest income (+59.0)% and fees (+14.3%).
- Operating costs increased 18.8%, to 42.7 million euros. Cost-to-Income stood at 36.9%;
- Credit impairment amounted to 17.7 million euros (10.4 million euros recorded in June 2016, excluding forex effect). The cost of risk increased from 196 b.p. to 320 b.p.
- Strong growth in resources: Customer funds increased 10.9% and credit 4.5%.
- Total customer funds in the first six months of 2017 stood at 1,518 million euros, up from the 1,369 million euros recorded in June 2016.
- Loans to Customers amounted to 1,157 million Euros in the first six months of 2017, vs. the 1.11 billion euros in June 2016.
- 416,000 active mobile Customers, up 15% from the end of the first six months of 2016.
- A capital ratio of 25.8%.
- Millennium bim was elected the best bank by *Euromoney*.

Macau

- Net earnings amounted to 6.0 million Euros (-33.9% in MOP and -36.0% in euros), negatively influenced by the reduction in credit granted if compared with the same period of 2016.

Cayman Islands

Million euros

	1H 2017	1H 2016	Change % 17/16
Total assets	659	713	-7.5%
Loans to customers (gross)	39	43	-8.4%
Loans to customers (net)	37	37	-0.6%
Customer funds	347	406	-14.6%
Of which: on Balance Sheet	336	394	-14.7%
off Balance Sheet	11	12	-10.9%
Shareholders' equity	318	313	1.6%
Net interest income	3.5	2.7	31.2%
Other net income	-19.6	0.6	< -200%
Operating costs	0.9	1.2	-24.5%
Impairment and provisions	0.2	0.5	-62.7%
Net income	-17.2	1.6	< -200%
Number of customers (thousands)	0.2	0.2	-13.6%
Employees (number)	7	9	-22.2%
% of share capital held	100%	100%	

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

- Bank & Trust's net earnings amounted to -17.2 million Euros, negatively influenced by net trading income.

OTHER

Millennium bcp Ageas

The strategic agenda designed for Group Ocidental, denominated Vision 2020, is being swiftly implemented since its launch in 2016, enabling the consolidation of results and maintaining the bancassurance operation as a reference at an international level.

The Life insurance business, which produced 719.7 million Euros in the first six months of 2017, recorded an 11.8% increase versus 2016, against the market trend which recorded a 0.2% fall versus the same period in 2016.

This performance, exceeding the market, was due mainly to the performance of the Unit Linked and capitalization products / PPR which, versus the same period in 2016, increased 6.7% and 32.7%, respectively. Regarding Unit-linked products, the launching of new series of closed unit-linked products addressed to different segments was crucial, while in the savings solutions (capitalization and PPR) the excellent performance achieved is explained by the Bank's focus on the trading of retirement products. This way, the market share of insurance premiums increased to 22.3%, up 2.7 p.p. year on year, granting it the position as the 2nd largest Life insurance company.

The operating performance and technical solidity of the Life Insurance operation enabled the generation of a contribution of over 17.5 million euros of net income for Millennium bcp, 102% more than the same period in 2016.

In the Non-Life business, the strong focus of the commercial networks of Millennium bcp permitted a 7.9% increase in production if compared with the same period in 2016 and above that of the non-life market in the bancassurance channel with a market share of 6.5%. This performance was triggered by some commercial initiatives such as the multimedia campaign of Médis, and discount campaigns in car and fire insurance which contributed positively both in the Retail and Companies network which, versus the same period of 2016, grew 6.7% e 13.9%, respectively.

This result reinforced Millennium bcp's position as leader in the distribution of Non-Life Insurance in the bancassurance channel, with a market share of 36.2%, representing a 1.5 p.p. increase year on year.

The prospects for 2017 point towards a continued recovery of the Portuguese economy with expected growth of the Non-Life insurance market. Growth in Life Insurance is also expected, via the increase in savings and investment insurance, taking into consideration the scenario of low interest rates and of risk insurance associated with the volume of credit granted.

Key Indicators	June 17	June 16	Change
Market Share - Insurance Premiums			
Life	22.3%	19.6%	+2.7 p.p.
Non-life	7.2%	7.0%	+0.2 p.p.
Market share - Bancassurance premiums			
Life	27.7%	24.8%	+2.9 p.p.
Non-life	36.2%	34.7%	+1.5 p.p.

[1] Ocidental Grupo Insurers

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% (amount revised due to an initial goal above 11%, which did not take into account the effect of the individual share capital increase, registered on 18 November 2016, and of the share capital increase reserved to shareholders exercising their preference right).

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

… 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 June 2017, according to Millennium bcp's goal of getting NPEs down to under 7,500 million euros (7.8 billion euros recorded on 30 June 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 40% of Mass Market Branches and 60% of Prestige Branches had been redone by 30 June 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.

Risks and Outlook

MAIN RISKS AND UNCERTAINTIES

Risk	Sources of risk	Risk level	Trend	Interactions
	ENVIRONMENT			
Regulatory	▪ More demanding capital and liquidity requirements ▪ Regulatory uncertainty associated with the implementation of MREL ▪ Single Supervisory Mechanism ▪ Single Resolution Mechanism ▪ Regular practice of conducting Stress Tests by the ECB ▪ Changes to accounting standards, namely IFRS 9, as of January 2018, which translates into a transition from an incurred loss model to an expected loss model ▪ 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	High		▪ Total CET1 requirements in 2017: 8.15% ▪ Disclosure of the LCR, NFSR and Leverage ratios that will have to exceed the regulatory minimum requirements ▪ IFRS9 implementation could result in a greater Income Statement volatility and in a greater loan granting pro-cyclicity
Sovereign	▪ Low potential growth ▪ Low interest rates and compression of the spread for active interest rates ▪ High indebtedness of the public sector and of the private sector ▪ Deceleration of the fall of public debt as a percentage of GDP ▪ Deceleration of the correction of the imbalances of the country's current account and capital account ▪ Regular access to international funding markets after Brexit ▪ Increase of economic protectionism at an international level ▪ Exposure to Portuguese sovereign debt ▪ Exposure to emerging countries strongly dependent on commodities ▪ Exposure to credits held by Mozambican entities	Medium		▪ Recovery of profitability limited by the low nominal interest rates and by the low potential growth ▪ High levels of default from companies and families ▪ High funding costs ▪ Impact of an eventual increase in yields of sovereign debt on CET1 ▪ Profitability of the pension fund Increase in risk premiums may hinder future regulatory requirements, namely those related to the MREL ▪ Future regularization of the ECB's monetary policy leads to pressure on public debt yields but the increasing steepness of the interest rates curve favours the banks' profitability
	FUNDING AND LIQUIDITY			
Access to WSF markets and funding structure	▪ Irregular functioning of WSF/MMI markets ▪ Progressive replacement of the funding obtained from the ECB by funding obtained in the IMM/WSF ▪ Incentive to the placement of financial instruments with Retail investors ▪ Need to fulfil eventual *gaps* versus MREL requirements ▪ Continuation of the deleveraging process by the internal economic agents	Medium-level		▪ Increased weight of balance sheet customer deposits and funds in the funding structure ▪ Limited scope for decreasing cost of funding ▪ The credit portfolio may continue to contract and the commercial gap may continue to reduce and uncertainty as to the performance of NPE and coverage levels condition access to market funding ▪ The return to profitability in Portugal will not be made via volumes ▪ Need for access to the financial markets to meet MREL requirements, which may impact the banks' funding structure

Risk	Sources of risk	Risk level	Trend	Interactions
		CAPITAL		
Credit risk	▪ Still high level of NPE ▪ Continuing to execute the Plan for the Reduction of NPE ▪ Exposure to real estate assets, directly or by participating in real estate investment or restructuring funds ▪ Losses on the valuation of collaterals and real estate properties in the Bank's portfolios should real estate prices go down ▪ Exposure to Non-Core Assets ▪ Exposure to emerging countries strongly dependent on commodities	High		▪ Impact on SREP from high level of NPE ▪ Need to decrease the time recovery processes take, for both loans and/or companies ▪ Evolution of available income / evolution of unemployment rate / level of companies' default ▪ Need to decrease exposure to real estate risk, despite the positive trend in real estate prices generating a positive context for the resolution of the NPE stock in the bank's balance sheet, and to Non-Core Assets ▪ Deterioration of the quality of loans granted directly to emerging countries or to companies in those countries or to Portuguese companies with business relationships with those countries
Market risk	▪ Volatility in capital markets ▪ Adverse behaviour of the real estate market	Medium		▪ Market uncertainty ▪ Monetary policies of the various Central Banks ▪ Profitability of the pension fund ▪ Smaller profits from trading
Operational risk	▪ Inherent to the Group's business	Medium		▪ Streamlining processes ▪ Degrading controls ▪ Increased risk of fraud ▪ Business Continuity
Interest rate and concentration risk	▪ Interest rates at historically low levels ▪ High concentration of assets in sectorial, category and geographical terms.	Medium-level		▪ Low interest rates contribute to lower default but exert pressure on profitability ▪ Need to reduce the weight of the main Customers in the total credit portfolio
Reputational, legal and compliance risk	▪ Inherent to the Group's business ▪ Incentives to place financial products that do not match the clients' risk profile or needs but that enable the recovery of profitability ▪ Reputational risk worsened by the recent resolutions of BES and Banif, after the problems with BPN and BPP	Medium		▪ Negative public or industry opinion may hinder the ability to attract Clients (particularly depositors) ▪ Eventual complaints from Clients ▪ Eventual sanctions or other unfavourable procedures resulting from inspections ▪ Unstable regulatory framework applicable to financial activities ▪ AML and counter terrorism financing rules
Yield	▪ Low interest rates in nominal terms ▪ More limited space to adjust spreads on term deposits in new production ▪ Regulatory pressures on fees ▪ Increase of the hedging of problematic assets by impairment ▪ Exposure to emerging market economies, including countries specifically affected by the fall in the commodities price	Medium-level		▪ Negative impact on the financial margin: price effect, volume effect and past due credit effect ▪ Need to continue to control operating costs ▪ Keeping adequate hedging of problematic assets by provisions ▪ Reformulation of the business model and digital transformation

Risk Management

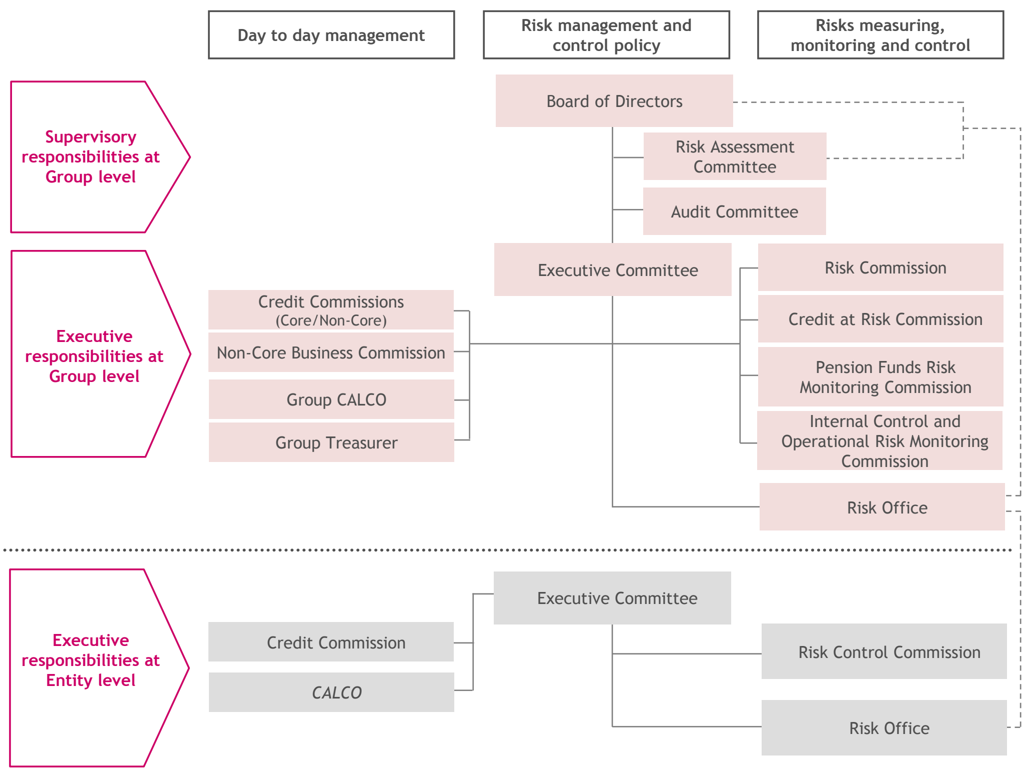
As part of the Group's Internal Control System - together with the Internal Audit and Compliance functions – the Risk Management System (RMS) effectively providesa solid control environment and limitation of risks which allows for the Group to develop its business activities in a sustainable way and in accordance with its Risk Appetite Statement (RAS).

In the first half of the year, the main activities and developments concerning the monitoring and controlling of the various risks to which the Group is exposed are summarized as follows:

- Update of the Non-performing Assets (NPA) Reduction Plan;
- Participation in the EBA's (European Banking Authority) benchmarking exercise, concerning the internal models approved for the capital requirements calculation of high default portfolios – Retail and Corporate SME – and for market risks;
- Execution of the second IRFS9 impacts' assessment analysis, the results of which were reported to EBA, as the internal developments for the implementation of this new norm are underway;
- Execution of the 2017 stress testing exercise, specifically focused on the interest rate risk of the Banking Book;
- Approval on ICAAP's new risks taxonomy – with the identification and assessment of these risks within this process – and execution of the annual Pillar 2 Report;
- RAS metrics revision for the monitoring of credit concentration risk;
- Continuation of the work concerning the validation of the Retail LGD/ELBE model for Portugal;
- Supervisory approval, conditioned to the implementation of a set of recommendations, of the Retail LGD models of Bank Millennium (Poland);
- Supervisory approval of the IRB Approach for financial assets resulting from the Group's participation in Collective Investment Undertakings.

Risk Management governance

The following chart illustrates the risk management governance, carried out by various bodies:



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

Risk Assessment Committee

The Risk Assessment Committee is composed of three non-executive members of the BoD(*) and has the following responsibilities:

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

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

Audit Committee

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

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

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

Risk Commission

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

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

This commission is composed of all the members of the EC(**), the Risk Officer, the Compliance Officer and the Heads of the following Divisions: Internal Audit; International, Treasury and Markets; Research,

(*) As at 30/06/2017.

(*) As at 30/06/2017.

(**) With a minimum of three Executive Directors.

Planning and ALM; Credit; Rating.

Credit at Risk Monitoring Commission

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

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

In the first half of 2017, this Committee maintained its monitoring of the process of NPE (Non Performing Exposures) reduction and the degree of fulfilment of the goals assumed *vis-à-vis* the supervisory entities and the market, as well as of the effectiveness of the measures adopted to achieve those goals.

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

Pension Funds Risk Monitoring Commission

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

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

The commission has the following responsibilities:

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

Internal Control and Operational Risk Monitoring Commission

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

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

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

Credit Commission(s)

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

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

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

Non-core Business Comission

This body is responsible for the analysis, monitoring and planning of the activities to be developed in the various non-core business segments, as well as the definition of the high-level commercial strategy to be adopted for clients of these segments, and also the follow-up of the main non-core exposures, the decisions concerning non-core business (except for credit decisions) and the monitoring of the non-core business evolution in relation to the defined goals and the Bank's restructuring plan.

This Commission is composed of three EC members (responsible for the credit, financial and risk areas), the person responsible for the Non-Core Business Monitoring area of the Risk Office and the Heads of the following Divisions: Risk Office; Credit; Research, Planning and AML; Specialised Recovery; Specialised Monitoring; Real Estate Business; Management Information.

Group CALCO

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

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

The Group CALCO is composed of all the members of the EC(*) and the heads of the following Divisions: Research, Planning and ALM; Risk Office; Large Corporate; Companies and Corporate; Management Information; Companies Marketing; Retail Marketing; International, Treasury and Markets; Investment Banking; Business Development (upon invitation). Other people, according to the matters addressed, may be requested to participate in the Group CALCO.

Risk Officer

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

- Supporting the establishment of risk management policies and methodologies for the identification, measurement, limitation, monitoring, mitigation and reporting of the different types of risk;
- Proposing and implementing a set of metrics for the different types of risk;
- Ensuring the existence of a body of rules and procedures to support risk management;
- Controlling, on an ongoing basis, the evolution of the different risks and compliance with the applicable policies, regulations and limits;

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

- Ensuring the existence of an effective IT platform and a database for the robust and comprehensive management of risk;
- Participating in all decisions of relevance to risk and with an impact on the internal control system, empowered to ensure compliance with the Group's regulations and goals concerning risk;
- Preparing information relative to risk management for internal and market disclosure.

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

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations. This type of risk is very relevant and highly representative in terms of the Group's overall exposure to risk.

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

Evolution and breakdown of the loan portfolio

The following chart shows the credit portfolio volumes evolution between 31st of December 2016 and 30th of June 2017, in terms of EAD (Exposure at Default), for the three main Group geographies - Portugal, Poland and Mozambique - which represented 99.1% of the Group's EAD by 30th of June 2017:

(millions of Euros)

Country	Jun 17	Dec 16	Change	
			Amount	%
Portugal	47,924	47,856	68	0.1%
Poland	16,869	16,015	855	5.3%
Mozambique	1,987	1,997	-9	-0.5%
PT+PL+MZ	66,780	65,867	913	1.4%

The portfolio registered a growth of 1.4%, in euros (EUR) in the first half of 2017, the increase of 855 million euros in Poland having decisively contributed for this growth. In Portugal, the growth of the credit portfolio was practically null (68 million euros, representing an increase of 0.1%) since the NPA Reduction Plan's effects continued to be present.

The Group's portfolio evolution in euros was influenced by the FX rate changes for the most representative currencies of the two main operations abroad – respectively, Zlotys (PLN) and Swiss Francs (CHF) in Poland and Meticais (MZN) and North-American dollars (USD) in Mozambique – in the first half of 2017, *vis-à-vis* the Euro: +4.4% for PLN, -1.7% for CHF, +9.6% for MZN and -7.6% for USD.

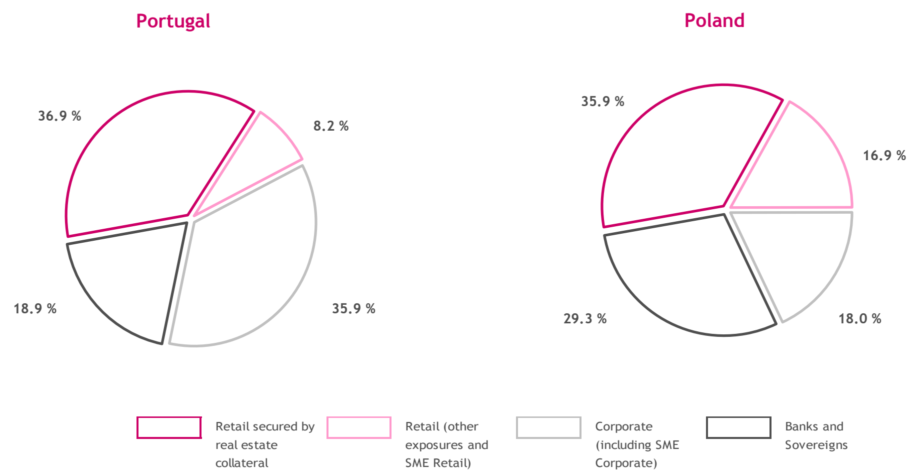
In original currencies, the growth of Poland's portfolio was of 6.8% in PLN and -3.6% in CHF. The combined effect of the FX rates changes and the portfolio variation in original currencies – namely, the progressive reduction of the mortgage portfolio denominated in CHF – has increased the weight of Poland's portfolio in PLN, from 68% by the end of 2016 to 72% by the end of June 2017, while the weight of the CHF denominated portfolio was reduced from 38% to 32% along the same period.

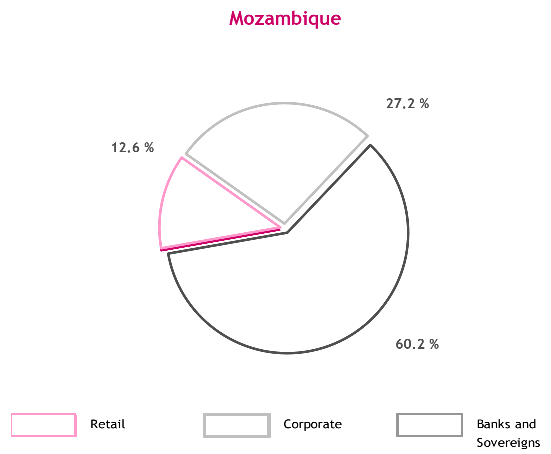
In Mozambique, growth of 6.9% was registered in the MZN-denominated portfolio (against growth of 17.2% in EUR) and a contraction of the USD-denominated portfolio of -27.2% (against a decrease of -32.7% in EUR). Hence, in global terms and in euros, the weights of these two currencies in Mozambique's portfolio, from 31st of December 20176 to 30th of June 2017, went from 64% to 76% in MZN and from 55% to 32% in USD.

Therefore, the growth of Poland's portfolio in euros was favoured by the Zloty's appreciation towards the Euro, even if limited by the real decrease of the CHF-denominated portfolio (c. – 213 million EUR).

In Mozambique, despite the real growth of the local MZN-denominated portfolio and the Metical's appreciation in relation to the Euro, the real decrease in the USD-denominated portfolio, together with the devaluation of this currency towards the Euro, has resulted in a practically null change in this geography's portfolio(-9 million EUR, representing around -0.5%).

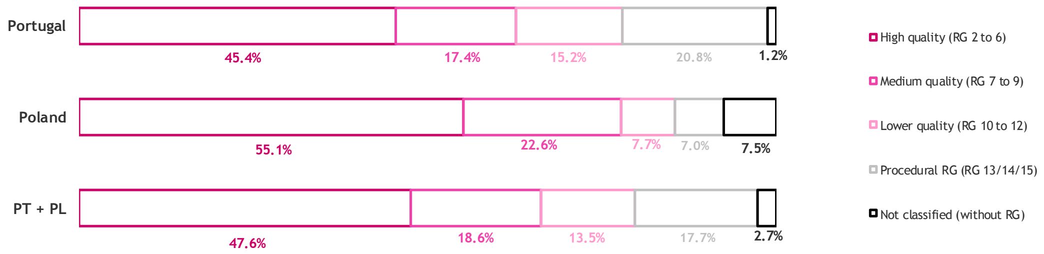
In what concerns the portfolios' breakdown by risk classes, these are illustrated – as at 30th of June 2017 - by the following graphs:





This portfolio breakdown for Portugal and Poland does not present relevant changes in relation to the portfolios' composition by the end of 2016. In what concerns Mozambique, there was an increase in the weight of the "Banks and Sovereigns" risk class, which represented 50.9% of the portfolio (EAD) by 31st of December 2016, with an equivalent decrease in the "Corporate" risk class while the weight of the "Retail" risk class remained practically unchanged.

The following chart presents the portfolio breakdown (EAD) in terms of the internal risk grades of the debtors, in Portugal and Poland, as at 30th of June 2017:



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

There was a positive evolution in the internal ratings towards the situation in December 2016: the weight of the EAD corresponding to the medium and high quality risk grades has increased for the 2 geographies, from 64.2% at 31st of December 2016 to 66.2% at 30th of June 2017. The basis for this favourable evolution was the growth of Portugal's EAD weight for high quality risk grades, from 43.1% by the end of 2016 to 45.4% by the end of June 2017.

EAD weight of clients with a procedural risk grade (including the *non-performing portfolio*) has also registered a positive evolution, going from 18.5% at 31st of December 2016 to 17.7% by the end of the first half of 2017 (changing, in Portugal, from 21.8% to 20.8% in the same period).

Main credit risk indicators

The following table illustrates the quarterly evolution of the main credit risk indicators between June 2016 and June 2017, for the Group and for the portfolios of Portugal, Poland and Mozambique:

	Jun 17	Mar 17	Dec 16	Sep 16	Jun 16
Group					
Non-performing Loans/Total Loans	5.9%	5.9%	6.2%	6.9%	6.9%
Past due Loans (> 90 d)/Total Loans	9.0%	9.2%	9.5%	10.1%	10.5%
NPE/Total Loans (*)	16.9%	17.9%	18.5%	19.1%	19.6%
Impairment/Total Loans	6.7%	6.8%	6.8%	6.8%	6.6%
Portugal					
Non-performing Loans/Total Loans	7.0%	7.1%	7.4%	7.9%	8.3%
Past due Loans (> 90 d)/Total Loans	10.7%	11.1%	11.5%	12.2%	12.8%
NPE/Total Loans (*)	21.5%	22.5%	22.9%	24.2%	24.6%
Impairment/Total Loans	7.7%	7.8%	7.9%	7.8%	7.6%
Poland					
Past due Loans (> 90 d)/Total Loans	2.7%	2.6%	2.6%	2.7%	2.5%
Impairment/Total Loans	3.0%	2.9%	2.8%	2.9%	2.9%
Mozambique					
Past due Loans (> 90 d)/Total Loans	11.8%	6.5%	4.6%	4.0%	4.0%
Impairment/Total Loans	7.9%	7.2%	6.1%	5.6%	5.5%

In consolidated terms, the evolution of these risk indicators is globally positive over the last year of activity, with stability of the weight of impairment over total loans, as the result of a prudent provisioning policy.

Only in Mozambique, due to the worsening of the macro-economic conditions that has been registered in that geography, the evolution of the credit risk indicators was negative, with growing portfolio provisioning by impairment.

NPE reduction plan

The Group's credit has a high level of NPE (non-performing exposures), especially in Portugal, as a result of a Legacy portfolio that the Bank is managing with the aim of reducing the weight of these assets in the Balance-Sheet. In the beginning of 2017, the Bank approved a revision of its NPE Reduction Plan, which has been successfully implemented.

In the first half of 2017, the NPE reduction in Portugal was of 721.7 million euros, to 7,816 million euros and the coverage of the assets marked as NPE by impairment, collateral and Expected Loss gap reached 105% by the 30th of June 2017.

The NPE reduction verified in the first semester is considered positive and allows to anticipate the fulfilment of the reduction goal that was announced to the market by the end of the exercise (less than 7.5 billion euros for the NPE portfolio in Portugal).

The following table presents the NPE evolution in terms of volumes and ratios, between June 2016 and June 2017 for the Group and Portugal:

(millions of Euros)

	Jun 17	Mar 17	Dec 16	Set 16	Jun 16
Group					
NPE	8,761	9,159	9,374	9,983	10,227
NPE/Total credit (*)	17.8%	18.4%	18.9%	19.8%	20.1%
Portugal					
NPE	7,816	8,320	8,538	9,257	9,498
NPE/Total credit (*)	21.5%	22.5%	22.9%	24.2%	24.6%

NPE = *Non-performing exposures*

(*) Direct credit to clients, excluding debt securities

Credit concentration risk

The figures concerning credit concentration, as at 30th of June 2017, measured by the weight of the 20 largest exposures (EAD), excluding Banks and Sovereigns, in total exposure, are presented in the following chart:

Customer Groups	EAD weight in total EAD
Group 1	1.5%
Group 2	0.7%
Group 3	0.7%
Group 4	0.7%
Group 5	0.6%
Group 6	0.5%
Group 7	0.5%
Group 8	0.5%
Group 9	0.4%
Group 10	0.4%
Group 11	0.4%
Group 12	0.4%
Group 13	0.4%
Group 14	0.4%
Group 15	0.4%
Group 16	0.4%
Group 17	0.3%
Group 18	0.3%
Group 19	0.3%
Group 20	0.3%
Total	**9.9%**

The weight of 9.9% compares with a weight of 10.5% by the end of 2016, so that there was a concentration decrease. In what concerns the global EAD amount for these 20 largest exposures, this reduced 268 million euros in the first half of the year, confirming the trend verified in 2016 (with a favourable decrease of 460 million euros).

The bank has specific goals for the reduction of credit concentration, materialized in RAS metrics.

Operational risk

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

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

exception reports; contingency plans; contracting of insurance; internal training on processes, products and systems.

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

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

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

Along the first semester of 2017, the various participants in the management of this risk carried out the usual tasks of operational risk management - aiming at an effective and systematic identification, mitigation and control of exposures - as well as the corresponding reporting duties, either to the Group’s management bodies or within the regulatory sphere.

Operational risks self-assessment (RSA)

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

- The assessment of the risks exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- The determination of the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- The identification of the impact of the improvement opportunities in the risk reduction of the most significant exposures (Target Risk).

The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or performed through answers to questionnaires sent to the process owners, for a review of previous RSA results, according to predefined updating criteria.

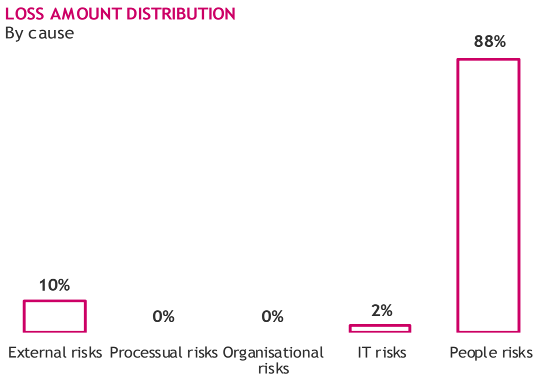
Operational losses capture

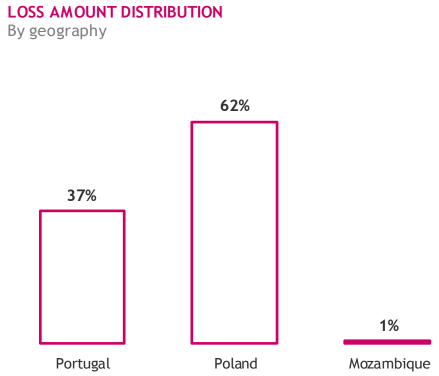
The operational losses data capture (i.e. the identification, registration and characterisation) of operational losses and of the originating events aims at the strengthening of the the awareness of this risk and to provide relevant information to process owners, for incorporation within their process management. As such, it is an important instrument to quantify risk exposures and also for the back-testing of the RSA results, enabling the assessment of the evaluation/classification attributed to each risk subtype.

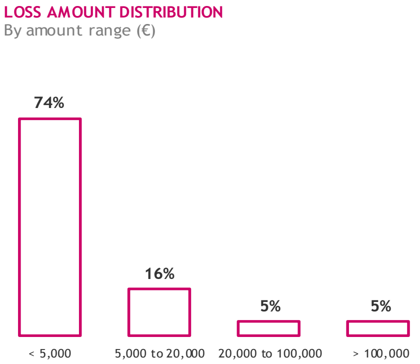
The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible.

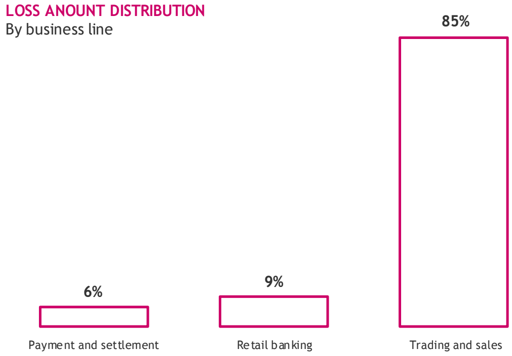
The identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area) are characterised by the process owners and process managers of processes to which the losses are related, including the description of the respective cause-effect and, when applicable, the valuation of the loss and the description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause).

The profile of the losses captured in the database in the first half of the year is presented in the following graphs:









Key risk indicators (KRI)

KRIs draw attention to changes in the profile of the operational risks or in the effectiveness of control, enabling the identification of the need to introduce corrective actions within the processes, so as to prevent potential risks from materialising into losses. The use of this management instrument has been significantly broadened in 2016, currently encompassing all of the processes in the main Group entities (Portugal, Poland and Mozambique).

Processes management also uses Key Performance Indicators and Key Control Indicators, the monitoring of which is essentially oriented to assess operative efficiency, but also allows for the detection of risks.

Scenario Analysis

Scenario Analysis is an exercise for the assessment of potential risks of high severity, aimed at quantifying the impact of extreme events (low frequency/high severity) which would be relevant for the Bank, even if never registered in the past.

All Macro-Process Owners and other top managers from selected Divisions participated in this exercise, due to their knowledge and experience concerning the activities, which are essential for the description of this type of events' impacts and for the quantification of potential losses that could result from those events.

The results from the scenarios assessment were incorporated into the statistical model to determine the internal capital adequacy (ICAAP) and the information gathered also used for risk management and mitigation, thus contributing to the reinforcement of the internal control environment.

Business continuity management

The management of business continuity covers two complementary components: the Business Continuity Plan relative to people, facilities and equipment, and the Technological Recovery Plan relative to information systems, applications and communications infrastructure.

Both of these plans are defined and implemented for a series of critical business processes, and are promoted and coordinated by a dedicated structural unit, whose methodology is based on a principle of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

These continuity plans are regularly tested and updated, through exercises aimed at improving and deepening the coordination between emergency response, technological recovery, crisis management and business recovery.

Insurance Contracting

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operational risk, where the objective is the transfer - total or partial - of risks.

The proposals for the contracting of new insurance are submitted by the process owners under their respective duties for the management of the operational risk inherent to their processes, or are presented by the head of area or organic unit, and then analysed by the Risk Commission and authorised by the EC.

Market risks

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in interest or exchange rates and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between those instruments but also their volatility.

For purposes of profitability analysis and market risks quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment - Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial - Management of positions arising from commercial activity with Customers;
- Structural - Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM - Assets and Liabilities Management.

The definition of these areas allows for an effective management separation of the trading and banking books, as well as for the correct allocation of each operation to the most suitable management area, according to its respective context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks[•]

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

[•] Positions allocated to the Trading Management Area (and not, specifically, to the accounting Trading Book).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The table below presents the amounts at risk for the trading book, between 31st of December 2016 and 3oth of June 2017 and measured by the methodologies referred to above, that registered moderate levels along this period of time.

thousands of Euros

	Jun 17	Avg	Max	Min	Dec 16
Generic risk (VaR)	1,005.4	2,630.5	4,132.5	1,005.4	3,920.7
Interest rate risk	806.7	2,469.7	4,030.9	806.7	3,854.6
FX risk	454.1	826.8	551.3	454.1	354.0
Equity risk	26.2	269.1	47.2	26.2	37.0
Diversification effects	*281.5*	*935.2*	*497.0*	*281.5*	*324.8*
Specific risk	554.7	514.2	1,026.4	272.8	440.2
Non-linear risk	12.9	10.9	66.7	0.9	8.2
Commodities risk	17.1	18.6	24.1	14.9	16.0
Global risk	1,590.1	3,174.1	4,733.5	1,590.1	4,385.1

Notes:
- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Millennium bank (Poland) and Millennium BIM (Mozambique)

VaR model monitoring and validation

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

Stress tests on the trading book

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identifying risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

The results of these tests on the Group's trading book, as at 30th of June 2017, in terms of impacts over this portfolio's results, were the following:

(millions of Euros)

Standard scenarios tested	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 bps	+100 bps	-3.3
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 bps	-25 bps	-0.6
Combinations of the previous 2 scenarios	+ 100 bps and + 25 bps	-2.8
	+ 100 bps and - 25 bps	-3.9
Variation in the main stock market indices by +/- 30%	+30%	-0.1
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-5.9
Variation in swap spreads by +/- 20 bps	+ 20 bps	-0.02
Non-standard scenarios tested	**Negative results scenario/used scenario**	**Result**
Widening/narrowing of the bid-ask spread	Narrowing	-4.3
Customized scenario (1)		-3.1
Historical scenarios (2)	07/04/2011	-1.1
	22/09/2011	-0.9

(1) The main historical risk factors (within a 3 year horizon) are applied as a simulation over the current portfolio, so that the potential impacts of those factors are measured.

(2) In these scenarios, past crisis market changes are applied over the current portfolio; in the cases at stake, there was great volatility of the portuguese public debt yields

These results show that the exposure of the Group’s trading book to the different risk factors considered is relatively limited, and that the main adverse scenario at stake refers to the FX risk.

Interest rate risk in the banking book

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

This analysis, reported as at 30th of June 2017 and based on the calculation of the difference between the present value of the interest rate mismatch (discounted at market interest rates) and the value of this mismatch discounted at a level of rates with +100 basis points (for all periods) results in a positive impact of approximately 68 million euros (for the EUR-denominated positions). The following table shows the breakdown of this impact by each of the banking book’s management areas and for the different residual terms of the positions in question.

(millions of Euros)

IMPACT OF A +100 BPS PARALLEL SHIFT OF THE YIELD CURVE

Repricing gap in EUR

	Repricing terms-to-maturity					
	< 1 Y	1 - 3 Y	3 - 5 Y	5 - 7 Y	> 7 Y	Total
Commercial area activity	12,565.5	77,678.1	456,979.5	-13,099.6	-34,257.2	499,866.3
Structural area activity	73.2	6,924.5	5,814.1	601.6	-6,948.7	6,464.7
Subtotal	**12,638.7**	**84,602.6**	**462,793.6**	**-12,498.0**	**-41,205.9**	**506,331.0**
Hedging	-31,570.8	-147,161.3	-368,395.2	5,620.7	40,884.0	-500,622.6
Commercial and Structural total	**-18,932.1**	**-62,558.7**	**94,398.5**	**-6,877.2**	**-322.0**	**5,708.5**
Funding and hedging	12,447.0	8,382.9	-4,290.7	-67.4	-19.7	16,452.1
Investment portfolio	-18,034.4	-1,048.4	-2,317.0	-612.7	-8,090.6	-30,103.1
ALM	46,595.6	56,737.6	111,891.9	-114,041.5	-24,775.7	76,407.9
Banking Book total (Jun 2017)	**22,076.1**	**1,513.3**	**199,682.7**	**-121,598.9**	**-33,208.0**	**68,465.2**
Banking Book total (Dec 2016)	27,783.4	16,989.4	80,759.0	-15,955.3	-30,195.8	9,865.4
Impact of a -100 bps parallel shift of the yield curve (*)						
Banking Book total (Jun 2017)	**4,792.6**	**-3,000.3**	**-91,040.9**	**42,190.0**	**37,849.5**	**-9,209.1**

(*) Scenario is limited to non-negative interest rates (implying effective chages smaller than 100 bps, particularly in the shorter terms).

The positions at risk which are not subject to specific market hedging operations are transferred internally to two market areas (Funding and ALM), thus becoming an integral part of the respective portfolios. As such, they are assessed daily based on the market risk control model for the trading book already identified (VaR).

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations.

As at 30th of June 2017, the Group's financial holdings in USD, CHF and PLN were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, for entities which have financial holdings with exchange rate risk, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

Liquidity risk

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

The Group's Wholesale Funding (WSF) structure is defined for each annual period by the Liquidity Plan (which is an integral part of the budgeting process), formulated at consolidated level and for the main subsidiaries of the Group. The preparation of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously throughout the year, being reviewed whenever necessary.

A decrease of 1,335 million euros in the WSF needs was registered in the first semester of 2017, at consolidated level. Both the capital increase in February 2017 and the commercial gap decrease in Portugal contributed to these lower WSF needs, practically to the same extent. This was partially offset by an increase in funding needs resulting from the growth of the Group's securities portfolios, during this period of time.

On the other hand, together with the decrease in funding needs, there were some movements in the first half of 2017 that have changed the funding structure in a relevant way:

- The repayment of the remaining part of contingent capital ("CoCo's"), of 700 million euros;
- The reimbursement of MTN that were placed with institutional investors, of 328 million euros;

- The reduction of the collateralized funds taken from the European Central Bank (ECB), corresponding to the balance of the TLTRO (Targeted longer-term refinancing operations), of 870 million euros.

The table below shows the WSF structure, as at 31st of December 2016 and 30th of June 2017, in terms of the relative weight of each of the instruments used:

Liquidity breakdown
(Wholesale funding)

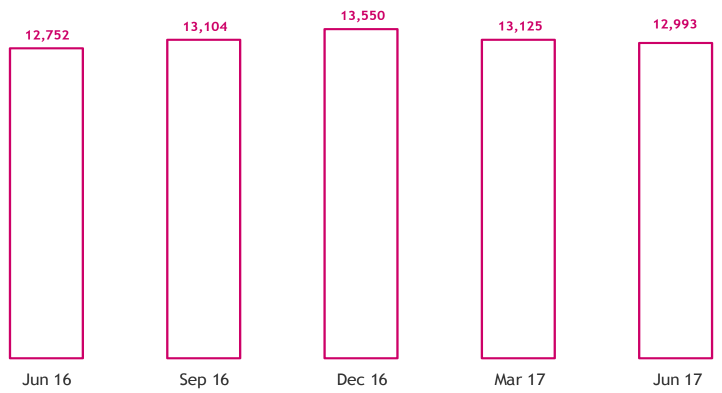
	Jun 17	Dec 16	Weight chg.
MM	3.6%	4.1%	-0.5%
ECB	39.6%	42.6%	-3.0%
CoCo's	0.0%	6.1%	-6.1%
Commercial Paper	0.7%	1.6%	-0.9%
Repos	30.3%	20.3%	10.1%
Loan agreements	14.1%	12.7%	1.4%
Schuldschein	0.0%	0.2%	-0.2%
EMTN	0.0%	2.9%	-2.9%
Covered bonds	9.9%	8.0%	1.9%
Subordinated debt	1.8%	1.6%	0.2%
TOTAL	**100.0%**	**100.0%**	

The highlights concerning the evolution verified in this structure go to the end of the CoCo's as a funding source and the decrease in the weight of the ECB funding. These changes were compensated by a significant increase in the weight of short term instruments, mainly of Repos.

The strong decrease in the net funding at the Eurosystem has allowed for a reinforcement of the liquidity buffer at the ECB, which totalled 8,355 million Euros by the end of June 2017, against 7,614 million euros in December 2016.

The recent evolution of the ECB-discountable collateral is illustrated in the next graph.

ELIGIBLE ASSETS FOR DISCOUNTING AT THE ECB (*)
After haircuts (millions of Euros)



(*) Global portfolio, including eligible assets mobilized and not mobilized for the ECB's monetary policy pool. The value in December 2016 includes, on a *pro-forma* basis, the collateral in excess of the covered bonds program which, under the form of an own issue to reinforce the collateral portfolio eligible to the ECB, would represent an amount never lower than € 1,500 M (after haircuts and assuming ECB assessments in line with those for the remaining retained emissions). In the same terms and also resulting from excess collateral affecting the mortgage bond program, the value in June 2017 includes € 1 000 M relating to a potential own issue to reinforce collateral eligible for discount with the ECB.

It should also be noted that, in addition to the eligible collateral graphically represented above (effective + *pro-forma*), the Group also had in its portfolio, at the 30th of June 2017, Treasury Bills (USA) in the amount of 600 million dollars (c. 521 million euros). Even if this asset is not eligible to collateralize funding at the ECB, it is highly liquid and should be considered in a broad sense a liquidity buffer. Hence, the safety margin provided by the liquidity buffer so considered rises to 9,876 million euros (762 million euros above the corresponding amount in December 2016).

Liquidity risk control

For short term time horizons (up to 3 months), the control of the Group's liquidity risk is carried out daily based on two internally defined indicators: the immediate liquidity indicator and the quarterly liquidity indicator, which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering cash flow projections for periods of 3 days and of 3 months, respectively.

These indicators, as at 30 June 2017, showed a zero value in the Treasuries of Portugal and Poland, signifying surplus liquidity in these geographic regions, both in immediate terms and at 3 months, reflecting the prudent management of the different Treasuries of the Group towards this risk.

At the same time, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring of a set of indicators defined both internally and by the regulations, aimed at characterising liquidity risk, such as the loans-to-deposits ratio (95.4% as at 30 June 2017), the regulatory ratios LCR (Liquidity coverage ratio) and NSFR (Net stable funding ratio) - respectively, 155% and 123% as at 30 June 2017 - and also the relative dimension of the excess of available collateral for discounting in UE central banks *vis-à-vis* the total clients' deposits.

Pension Fund risk

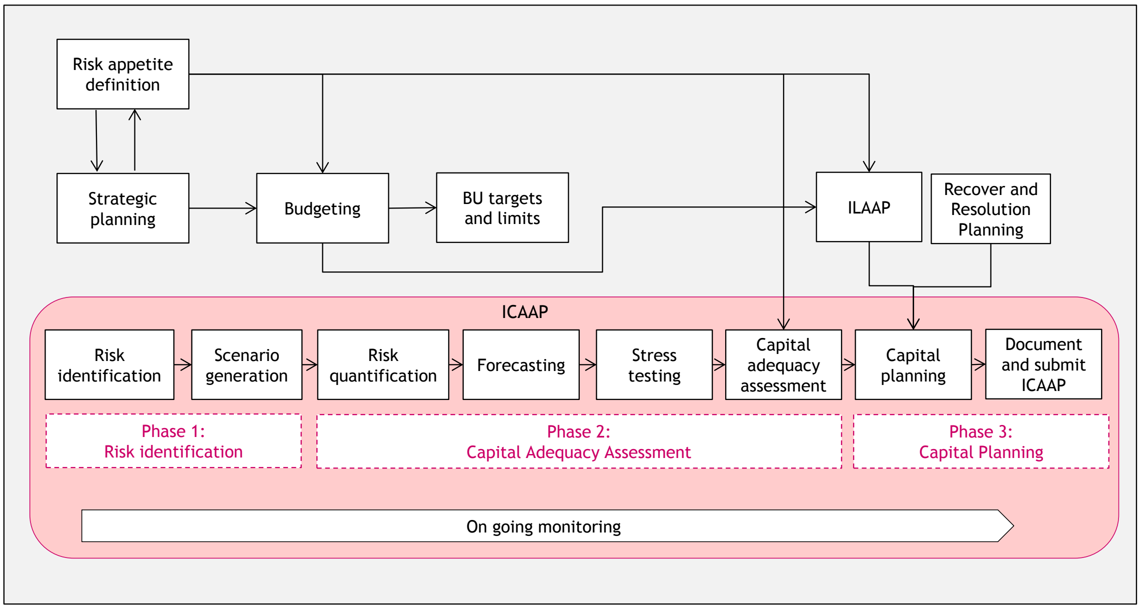
This risk arises from the potential devaluation of the assets of the Defined Benefit Fund or from the reduction of their expected returns as well as from actuarial differences that may occur from the evolution of demographical factors, in relation to the actuarial assumptions considered. Confronted by such scenarios, the Group would have to make unplanned contributions in order to maintain the benefits defined by the Fund.

The monitoring of this risk and the follow-up of its management is a responsibility of the Pension Funds Risk Monitoring Commission.

In the first half of 2017 the Pension Fund registered a time-weighted rate of return (TWR), net of management and deposit fees, of 3.51%, a result that is clearly above the actuarial assumption. Although all of the asset classes have contributed for the performance of the first 6 months of 2017, a highlight should be made of the equity and the fixed-rate components – specifically, in what concerns Portuguese bonds, with a decrease in yields that brought quite a positive impact on the Fund's valuation. The favourable behaviour of the Real Estate and the Private Equity components during this time period should also be noted.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is a key continuous process of the Group's risk management, aimed at identifying the Group's capital adequacy to cover the risks in which it incurs by developing its business strategy – both current and projected for the medium term. The chart below summarizes the process:



The ICAAP benefits from an internal governance model that ensures the involvement of the BoD and its Risk Assessment Committee, of the EC, of the Risk Commission and of the top management, along the various stages of the process.

The results of the ICAAP allow the Bank's management bodies – namely, the Board of Directors and the Executive Committee - to test if the Group's capitalization is appropriate for the risks stemming from its activities and if the strategic plan and budget are sustainable in the medium term and comply with the risk limits defined in the Risk Appetite Statement (RAS) approved for the Group.

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

The ICAAP's first stage is the identification of the material risks to which the Group's activity is subject. For this purpose, the Group uses a methodological approach based on an internal list of risks, covering more than 60 different risks, considering the relevancy of each one by taking into consideration its probability of occurrence and the magnitude of the impacts of its occurrence – either before or after the implementation of risk mitigation measures.

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

The result of this stage is the list of risks to be incorporated in the ICAAP, which will also be helpful in defining the variables to be considered for the establishment of the base and the stressed scenarios, mentioned below. The approval of the results of the risks identification process is a capacity attributed to the Risks Assessment Committee.

In a second stage, the base and stressed scenarios that make the ICAAP's framework were defined. While the base scenario represents the Group's vision of the most probable evolution of the business constraints in the medium term, the stressed scenario incorporates extreme conditions, with low probability of occurrence but with severe impact over the Group's activity. The approval of the scenarios to be considered in the ICAAP is also a responsibility of the Risks Assessment Committee.

In the third stage of the ICAAP, the impact of the main risks is modelled for the reference date and the capital requirements are calculated for that date. This uses a set of methodologies and internal models, formally approved and audited, considering a significance level in line with the regulatory requirements (CRR or Solvency 2) and a time horizon of 1 year (which is lower for the trading portfolios, due to their nature).

For the prospective component, two scenarios are considered for the projection of the Group activity in a medium-term time horizon (3 years): a base scenario corresponding to the current vision of the Group's management and an adverse scenario that is extremely penalizing in terms of the macroeconomic indicators, in order to test the Group's resilience under extreme scenarios and if it has adequate capital levels to cover the risks to which its activity may be subject to.

Some risks are incorporated in this framework as a capital add-on (in particular those considered to be non-material), while other are considered in terms of their P&L impacts.

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

After the estimation of impacts of the risks over P&L and the Group's balance-sheet – especially, in what concerns the Own Funds – the adequacy of the Group's Risk Taking Capacity (RTC) can be assessed, vis-à-vis the expected profile of its activity.

The Group adopts a RTC that is aligned with the definitions of the regulatory capital ratios, pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 (the CRR – Capital Requirements Regulation), corresponding to the CET1 (Common Equity Tier 1) ratio determined on a "fully implemented" basis, but adjusted from the Expected Loss Gap's impacts stemming from the internal assessment of the capital needs to cover credit risk and from the impacts on the eligibility of the minority interests of Bank Millennium in Poland (associated to the referred internal capital requirements assessment and to the usage of its minimum CET1 ratio).

The ICAAP results show that the current capitalisation levels are appropriate for a 3-year horizon, either under the base scenario or the stressed scenario.

Quarterly, the Bank reviews the ICAAP's assumptions, particularly the materiality of the risks that are considered as "non-material", the macroeconomic scenarios, the analysis of gaps in the business plans, the update of the assessment on the main ICAAP's material risks and the RTC calculation. The results are reported to the Bank's management bodies. Whenever there are significant changes in the Group's risk profile, the capital adequacy model is reviewed.

Models validation

This function is assured by the Models Monitoring and Validation Office (GAVM), reporting to the Executive Committee member that is responsible for Risk management.

GAVM's scope of action encompasses the credit risk systems and models (rating systems) and the market risks models, as well as the ICAAP validation, Hence, GAVM interacts with the owners of risk models and systems, with the Validation Committees and with the Risk Commission.

Along the first half of 2017, several validation and monitoring works were carried out, either in relation to models already used or concerning the extensions and changes within the framework of the roll-out plan established for the Group for advanced models. These tasks aim at ensuring confidence regarding the models performance and their compliance with the regulatory provisions in force, as well as to reinforce the identification of changes to their predictive powers (and the reaction capabilities to those changes).

Within the scope of the models' monitoring, the Group regularly participates in the regulatory Benchmarking and the TRIM (Targeted Review of Internal Models) exercises.

In the beginning of June, a Model Risk management project was launched. This will endow the Bank with a management and assessment tool for model risk, based on a functional and approval workflow frame worked by internal documentation and fully aligned with applicable regulations and supervisory expectations.

Within the scope of the annual validation processes, the most significant advanced models for credit risk refer to the probability of default (PD) for the Small, Mid and Large Corporate segments (Corporate risk class), for the Real Estate promotion segment and for the Small Business and Mortgage Loan segments in (Retail risk class), as well as to the loss given default (LGD) models and credit conversion factors (CCF) models in the Retail and Corporate risk classes.

Recovery Plan

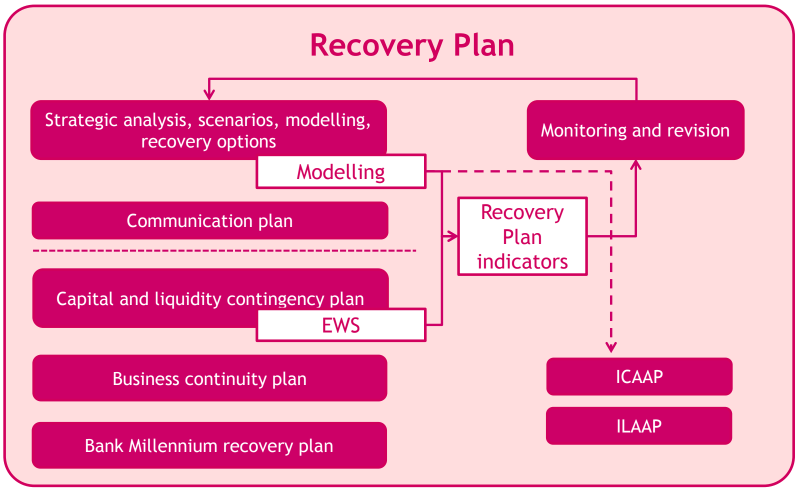
Complying with the applicable law - Directive 2014/59/EU and its transposition to the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF) through Decree-Law 23-A/2015, from the 26th of March – the Group has drawn and annually revises a Recovery Plan for its business and activities, in which a large set of key indicators are defined; these are permanently monitored, allowing for immediate management action whenever there are deviations that exceed pre-defined thresholds (also defined in the Plan), which are mandatorily reported to the Group's management and supervision bodies.

In effect, from the strategic analysis and the establishment of possible scenarios for the business evolution and the external environment – in close connection with the Funding and Capital Plan (FCP) and stress testing exercises in which the Group has participated – and from the modelling of all variables, metrics and scenarios considered, the business evolution is permanently monitored within the scope of the Recovery Plan and its respective indicators.

The Recovery Plan is aligned with the Capital and Liquidity Contingency Plan (CLCP), which defines the priorities, responsibilities and specific measures to be taken in a liquidity contingency situation. It should be noted that the CLCP includes an Early Warning Signals (EWS) system, for the anticipation of the occurrence of possible capital and liquidity crisises.

The Recovery Plan is also aligned with the definition of the business continuity framework and its respective plans (see the Operation Risk section), the Communication Plan – towards the market and stakeholders (in contingency situations), Bank Millennium's Recovery Plan (Poland) and the results from the capital and liquidity adequacy assessment processes already mentioned (ICAAP e ILAAP).

The following diagram shows, in brief, the main components of the Recovery Plan:



INTERNAL CONTROL SYSTEM

The Internal Control System is defined as the set of principles, strategies, policies, systems, processes, rules and procedures established in the Group aimed at ensuring:

- Efficient and profitable performance of the activity, in the medium and long-term, ensuring the effective use of the assets and resources, the continuity of the business and survival of the Group, namely through an adequate management and control of the risks of the activity, through a prudent and correct assessment of the assets and liabilities, as well as through the implementation of mechanisms for prevention and protection against errors and fraud;
- The existence of financial and managerial information which is complete, pertinent, reliable and timely, to support decision-making and control processes, both at an internal and external level;
- Observance of the applicable legal and regulatory provisions issued by the Supervision Authorities, including those relative to the prevention of money laundering and financing of terrorism, as well as professional and ethical standards and practices, internal and statutory rules, codes of conduct and customer relations, guidelines of the governing bodies and recommendations of the Basel Banking Supervisory Committee and European Banking Authority (EBA), so as to preserve the image and reputation of the institution before its Customers, shareholders, employees and supervisors.

In order to achieve these objectives, the Internal Control System is based on the Compliance function, the Risk Management function and Internal Audit function, which are exercised by centralised divisions and operate transversally across the Group. The Heads of these three Divisions are appointed by the Bank's Board of Directors, with the favourable opinion of the Committee for Nominations and Remunerations which approves their technical and professional profiles as appropriate for the function in question.

The Internal Control System is based on:

- An adequate internal control environment;
- A solid risk management system, aimed at the identification, evaluation, follow-up and control of all risks which might influence the Group's activities;
- An efficient information and communication system, designed to guarantee the collection, processing and transmission of relevant, encompassing and consistent data, within a timeframe and manner that allows for an effective and timely management and control of the institution's activity and risks;
- An effective monitoring process, implemented with a view to ensuring the adequacy and effectiveness of the actual internal control system over time, to immediately identify any flaws (defined as the group of existing, potential or real defects, or opportunities for the introduction of improvements that will strengthen the internal control system), and ensuring the triggering of corrective action; and
- Strict compliance with all the legal and regulatory provisions in force by the Group's employees in general, and by the people who hold senior or managerial positions, including members of the management bodies, to ensure compliance with the Group's Code of Conduct and other codes of conduct applicable to the banking, financial, insurance and brokerage (of securities or derivatives) activities.

The Risk Management System, the Information and Reporting System and the Internal Control Monitoring System

The Internal Control System includes the following subsystems: the Risk Management System, the Information and Reporting System and the Internal Control Monitoring System.

The Risk Management System corresponds to the series of integrated and permanent processes which enable the identification, assessment, monitoring and control of all material risks, derived internally or externally, to which the Group's Institutions are exposed, in order to keep them at levels that are predefined by the management and supervisory bodies, and take into consideration risks related to credit, markets, interest rates, exchange rates, liquidity, compliance, operating, information systems, strategy and reputation, as well as all other risks which, in view of the specific situation of the Group's institutions, could become materially relevant.

This system is suitably planned, reviewed and documented and is supported by risk identification, assessment, monitoring and control processes, which include appropriate and clearly defined policies and procedures, aimed at ensuring that the objectives of the institution are achieved and that the necessary measures are taken to respond adequately to previously identified risks.

The Information and Reporting System ensures the existence of information which is substantive, up-to-date, understandable, consistent, timely and reliable, so as to enable an overall and encompassing view of the financial situation, the development of the business, the achievement of the defined strategy and objectives, the risk profile of the institution and the behaviour and prospective evolution of relevant markets.

The financial information process is supported by the accounting and management support systems which record, classify, associate and archive, in a timely, systematic, reliable, complete and consistent manner, all the operations carried out by the institutions and its subsidiaries, in accordance with the rulings and policies issued by the Executive Board of Directors.

The Monitoring Process includes all the control and assessment actions developed with a view to ensure the effectiveness and adequacy of the internal control system, primarily through the identification of deficiencies in the system, either in terms of its design, implementation and/or use. The control and monitoring actions are implemented on a continuous basis and as an integral part of the Group's routines, being complemented with regular or exceptional autonomous assessments. Any deficiencies of material impact which might be detected through the control procedures are duly registered, documented and reported to the appropriate management and supervisory bodies.

Within this context, the Internal Audit Function is performed by the Audit Division on a permanent and independent basis, assessing, at all times and pursuant to the established plan, the adequacy and effectiveness of the different components of the internal control system as a whole, issuing recommendations based on the outcome of those assessments.

These subsystems of the Internal Control System are managed by the Risk Office and Compliance Office in terms of Risk Management and by the Planning and Control Department of the Planning, Research and ALM Division, the Accounts and Consolidation Division and the areas responsible for accounting in the different subsidiaries, for Information and Reporting.

The activity of the Risk Office is transversal across the Group and includes the coordination of the local risk management structures. The activity of the Compliance Office is also transversal to all Institutions of the Group, in terms of applicable compliance policies, with observance of the legal specificities of each jurisdiction. The Accounting and Consolidation Division and the Planning and Control Department of the Planning, Research and ALM Division receive and centralise the financial information of all the subsidiaries. The Audit Division is responsible for the on-site monitoring of the internal control system, performing this duty transversally.

The Risk Office, the Compliance Office, the Accounting and Consolidation Division, the Planning and Control Department of the Planning, Research and ALM Division and Audit Division ensure the implementation of the procedures and means required to obtain all the relevant information for the information consolidation process at Group level - both of accounting nature and relative to management support and risk monitoring and control - which should include:

- The definition of the contents and format of the information to be reported by the entities included in the consolidation perimeter, in accordance with the accounting policies and guidelines defined by the management body, as well as the dates when the reporting is required;

- The identification and control of the intra-Group operations;

- Assurance that the managerial information is consistent between the different entities, so that it is possible to measure and monitor the evolution and profitability of each business, verify compliance with the objectives that have been established, as well as evaluate and control the risks incurred by each entity, in both absolute and relative terms.

Exposure to Activities and Products Affected by Financial Crisis

The Group carries out transactions with derivatives mainly to hedge structured products for Customers (guaranteed capital and other products), risks stemming from the Bank's day-to-day business, including the hedging of interest rate risk and exchange rate risk. The trading activity of the Group's own portfolio in derivatives is immaterial insofar as Group profits or risk exposure are concerned.

Over the years, the Group has carried out securitisation operations based on loans to individuals (mortgage loans and consumer credit) and loans to companies (current accounts and leasing). Credit securitisation is used as a liquidity and capital management tool, aimed at financing the Group's business and, under certain circumstances, to release capital. The Group has a very limited exposure to Special Purpose Entities (SPE), apart from that arising from its own securitisations and normal credit business, as described in the Notes on Accounting Policies and on Loans to Customers of the Consolidated Financial Statements. Furthermore, the accounting policies relative to SPE and securitisations have not been altered over the past 12 months.

The international financial crisis revealed structural imbalances in State expenditure in many jurisdictions of the world, including Greece, Ireland and Portugal. As at 30 June 2017, the Group's net exposure to Portuguese sovereign debt was 5.1 billion euros, net exposure to Italian sovereign debt was 52 million euros and net exposure to Spanish sovereign debt was 38 million euros. Of the total consolidated public debt (9.9 billion euros), 292 million euros were recorded under the portfolio of financial assets held for trading and at fair value through profit or loss, 9.6 billion euros under the portfolio of financial assets available for sale and held to maturity. Further information on exposure to Mozambican sovereign debt is presented in Note 55 to the Consolidated Financial Statements. As of June 30, 2017, exposure to Mozambican sovereign debt was 379 million euros, of which 280 million euros in the portfolio of available-for-sale financial assets and 99 million euros in the portfolio of financial assets held to maturity.

The Group's accounting policies are described in Note 1 of the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2016. Further information on valuation of financial assets and risk management is presented in the Notes on Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, Other reserves and Retained earnings; Fair value and Risk Management in the Report referred to above.

LIQUIDITY AND FUNDING

During the first half of 2017 the consolidated wholesale funding needs of the bank decreased by approximately 1.3 billion euros, mainly due to the share capital increase of the Bank (1.3 billion euros) and to the reduction of the commercial gap in Portugal (-1.3 billion euros), which were partially offset by the increase of the sovereign debt and corporate portfolio by 1.4 billion euros.

The decrease of liquidity needs involved a change in the funding structure through the full repayment of CoCos (0.7 billion euros), the redemption of MTN (0.3 billion euros), the increased use of repos in Portugal (by 0.8 billion euros, to a balance of 3.1 billion euros) and the decrease of collateralized funding from the Eurosystem (by 0.9 billion euros, to 4.0 billion euros, which corresponds to the balance of the targeted long term refinancing operations named TLTRO). It should be highlighted that the remaining issue of covered bonds placed in the market was refinanced in June through a similar issue of 1.0 billion euros, with a five year maturity, marking the return of the bank to the medium-long term debt market, three years after the placement of an MTN, already amortized last February.

In net terms, the funding from Eurosystem decreased by 0.8 billion euros from December 2016, to 3.6 billion euros.

The significant decrease of the exposure to the Eurosystem allowed a reinforcement of the liquidity buffer with the ECB by 0.7 billion euros, facing December 2016 figures, to 8.4 billion euros. If on a pro forma basis the collateral currently allocated in excess to the covered bond program (which, under the form of an issue to be retained at the portfolio of ECB eligible assets, would allow its increase by an amount of at least 1.0 billion euros 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 0.8 billion euros, facing the comparable figure of December 2016, to 9.9 billion euros.

BCP RATINGS

In the first half of 2017, there was a significant improvement in the macroeconomic indicators for Portugal, with the public deficit at 2.0% of the GDP for 2016, a historically low figure that enabled Portugal to be released from the Excessive Deficits Procedure, and with the Banco de Portugal and the IMF revising their economic growth forecasts upwards for 2017-19. Rating agencies recognised the progress achieved, considering that there is room for an Outlook review, if not for an upgrade of the Portuguese Republic's rating, within one year.

The Portuguese banks continued to pursue their activities within a challenging context in the first half, with interest rates at rather low levels, which restricts financial margin and in turn profitability. However, the conditions for the Portuguese financial system to become more stable are improving.

The rating agencies main concerns are still the high amount of Non-Performing Exposures and the ability of Portuguese banks to return to profitability in a sustainable manner.

In the first six months of the year, all four agencies that rate the Bank confirmed their ratings, except for S&P, which revised BCP's rating upwards. The Outlook of all the rating agencies that cover the Bank is stable.

Moody's	
Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	B2
Counterparty Credit Rating LT / ST	Ba2/NP
Deposits LT / ST	B1/NP
Senior Unsecured LT / ST	B1/NP
Outlook	Stable/ Negative
Subordinated Debt - MTN	(P) B3
Preference Shares	Caa2 (hyb)
Other short term debt	P (NP)
Covered Bonds	A3

Rating Actions

23 January 2017 - Confirmed BCP long-term deposit and senior debt ratings at 'B1', as well as its long-term Counterparty Risk Assessment at 'Ba2' and upgraded the following ratings: (1) the Bank's Baseline Credit assessment (BCA) and adjusted BCA to 'b2' from 'b3'; (2) the bank's subordinated programme ratings to '(P) B3' from '(P) Caa1'; and (3) the bank's preference shares to 'Caa2 (hyb)' from 'Caa3 (hyb)'. The outlook on the long-term deposit ratings is stable and on the senior unsecured debt is negative.

Standard & Poor's	
Stand-alone credit profile (SACP)	bb-
Counterparty Credit Rating LT / ST	BB-/B
Senior Secured LT / Unsecured LT / ST	BB-/B
Outlook	Stable
Subordinated Debt	B-
Preference Shares	D

Rating Actions

23 February 2017 - Upgraded to 'BB-' from 'B+' the long-term counterparty credit rating on BCP and affirmed 'B' short-term rating. S&P also raised issue ratings on BCP's senior unsecured debt by one notch to 'BB-' from 'B+', and its subordinated debt by two notches to 'B-' from 'CCC'. The issue ratings of the preference shares remain at 'D' as BCP has not yet resumed the coupon payments on the preference shares. The outlook is stable.

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

Rating Actions

11 April 2017 - Reaffirmed the LT rating of Banco Comercial Português at 'BB-', as well as the other BCP ratings. The Outlook is stable.

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

Rating Actions

15 June 2017 - Confirmed BCP ratings, including the Issuer Rating and Senior Long-Term Debt & Deposit Rating at 'BB (high)' and the Short Term Debt & Deposit rating at 'R-3', the subordinated debt rating of 'BB (low)' and the 'BBB/R-2 (high)' and assigned the Critical Obligations Ratings (COR). All ratings have a Stable Trend.

CAPITAL

CRD IV/CRR[7] establishes Pillar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under SREP[8] , 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 capital conservation buffer.

According to our interpretation of CRD IV/CRR to date, the CET1 estimated ratio as at 30 June 2017 stood at 13.0% and at 11.3% phased-in and fully implemented, respectively, showing a favourable evolution regarding the 12.4% and 9.7% presented as at 31 December 2017.

The CET1 performance, in the first semester of 2017, mainly reflects:

The capital increase operation performed in February 2017 and the full reimbursement of the remaining CoCo's, which determined a CET1 increase of 677 million euros and a 228 million euros increase of RWA (+166 basis points in CET1 phased-in ratio);

Despite the progression of the phase-in, which determined reductions of CET1 by 512 million euros, and RWA by 147 million euros as at 1 January 2016 (-127 basis points in CET1 phased-in ratio);

The positive net income and the favourable evolution of fair value reserves and foreign exchange reserves, as well as of RWA arising from the Group's business, also contributed to the capital ratio performance, despite the increases of both the gap of expected loss and RWA resulting from adjustments made to internal models in advance of TRIM (Targeted Review of Internal Models).

(EUR million)

CAPITAL RATIOS (CRD IV/CRR)				
	30 Jun. 17	**31 Dec. 16**	**30 Jun. 17**	**31 Dec. 16**
	Phased-in		***Fully Implemented***	
OWN FUNDS				
COMMON EQUITY TIER 1 (CET1)	**4,953**	4,874	**4,275**	3,730
TIER 1	**4,953**	4,874	**4,340**	3,744
TOTAL CAPITAL	**5,353**	5,257	**4,681**	4,061
RISK WEIGHTED ASSETS	**38,147**	39,160	**37,720**	38,597
CAPITAL RATIOS (*)				
CET1	**13.0%**	12.4%	**11.3%**	9.7%
TIER 1	**13.0%**	12.4%	**11.5%**	9.7%
TOTAL	**14.0%**	13.4%	**12.4%**	10.5%

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

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

8 Supervisory Review and Evaluation Process

PENSION FUND

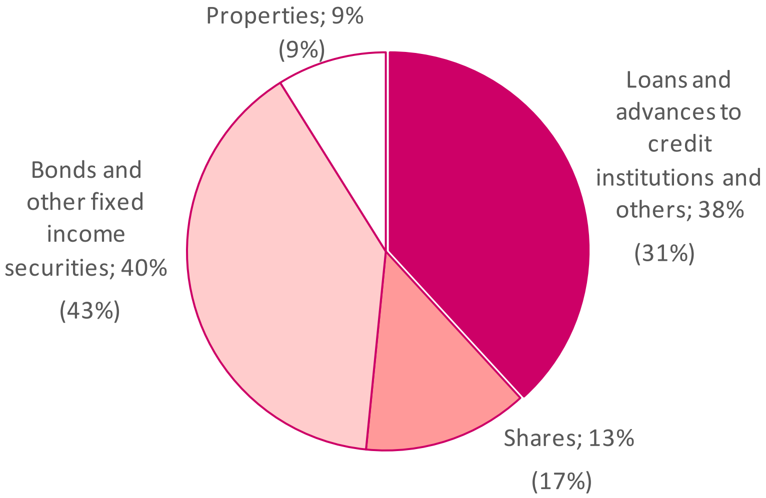
The Group's responsibilities with pensions on retirement and other benefits stood at 3,056 million euros as at 30 June 2017, comparing with 3,093 million Euros as at 31 December 2016. These responsibilities are related with the payment to Employees of pensions on retirement or disability, and were fully funded and kept at a higher level than the minimum set by the Banco de Portugal, presenting a coverage rate of 115%, comparing with 112% at the end of 2016.

As of 30 June 2017 the Pension Fund's assets reached 3,187 million euros and a positive rate of return of 3.5%, which favourably compares to the assumed actuarial rate of 2.1%.

The main asset categories in the Pension Fund's portfolio, as of 30 June 2017 and at the end of 2016, were as follows:

- Shares represented 13% as at 30 June 2017 decreasing from 17% as at 31 December 2016;
- Bonds and other fixed income securities decreased to 40% as at 30 June 2017, from 43% as at 31 December 2016;
- The component of Loans and advances to credit institutions and others reached 38% as at 30 June 2017 showing an increase when compared to the 31% presented at the end of 2016;
- Property represented 9% as at 30 June 2017 in line with the amount observed in the previous year.

Structure of the Pension Fund's portfolio as at 30 June 2017



(xx%) Proportion as at 31 December 2016

The main actuarial assumptions used to determine the pension fund's liabilities in 2015, 2016 and first half of 2017 are shown below:

Assumptions	´15	´16	1H17
Discount rate	2.50%	2.10%	**2.10%**
Increase in future compensation levels	0.75% until 2017 1% after 2017	0.25% until 2019 0.75% after 2019	**0.25% until 2019** **0.75% after 2019**
Rate of pensions increase	0% until 2017 0.5% after 2017	0% until 2019 0.5% after 2019	**0% until 2019** **0.5% after 2019**
Projected rate of return on fund's assets	2.50%	2.10%	**2.10%**
Mortality tables			
Men	TV 73/77 - 2 years	TV 88/90	**TV 88/90**
Women	TV 88/90 - 3 years	TV 88/90 - 3 years	**TV 88/90 - 3 years**
Disability rate	Not applicable	Not applicable	**Not applicable**
Turnover rate	Not applicable	Not applicable	**Not applicable**

In first half of 2017 an amount of 46 million euros of positive actuarial deviations, before taxes, was recognized, of which 65 million euros referred to positive differences arising from the return on pension fund's assets.

At the 2016 year end the Collective Labour Agreement was revised and the respective impacts were recognized on the consolidated profit and loss account. The changes introduced in the Collective Labour Agreement were only formally accepted by the "Northern Trade Union" in April 2017 and therefore the respective impact was recognized in first half of 2017.

The main indicators of the Pension Fund as at the end of 2015, 2016 and 30 June 2017 are as follows:

Main indicators	´15	´16	1H17
Liabilities with pensions	3,136	**3,093**	**3,056**
Value of the Pension Fund	3,158	**3,124**	**3,187**
Value of the Extra Fund	312	**324**	**316**
Coverage rate	111%	**112%**	**115%**
Return on Pension Fund	-0.8%	**-2.6%**	**3.5%**
Actuarial (gains) and losses	111	**303**	**-46**

INFORMATION ON TRENDS

During the first six months of 2017 the Portuguese banks continued to develop their activities within a challenging environment, in spite of the boost in economic growth. Banks are operating within a context of very low interest rates, exerting pressure on financial margins. Moreover, the Portuguese banks have a significant number of non-interest bearing assets on their balance sheets.

The Banco de Portugal's forecasts for the Portuguese economy in the 2017-19 time frame point towards the recovery of economic activity at a quicker pace than in the last few years. GDP is expected to grow on average 2.5% in 2017, 2.0% in 2018 and 1.8% in 2019. At the end of this period, GDP levels are expected to stand slightly above the figures recorded before the world financial crisis began in 2008. In addition, the growth rate throughout the forecast period should be higher than that of the euro area, according to the ECB's forecasts. It is expected that, in 2017-19, the contribution provided by investment and net exports will increase its importance in GDP growth. According to data disclosed by INE (Portuguese Statistics Institute), in March 2017, the public deficit stood at 2.0% of GDP in 2016, the lowest ever since joining the Euro Area and the first time it went below 3%. In addition, Portugal was released from the Excessive Deficits Procedure.

The four rating agencies that rate the Portuguese Republic confirmed their ratings and the Outlook as stable in the beginning of 2017.

In accordance with the Banco de Portugal, the funding operations made by the Portuguese banks with the ECB fell to 22.3 billion euros in June 2017, consistent with the general trend since the second half of 2013. These figures show an improvement in the liquidity position of the domestic banks which has benefited from a resilient performance from deposits, namely from individuals (-1.1% by the end of June 2017, compared with the same period of last year, with demand deposits up 12.4% and term deposits down 6.6%, also year on year).

Moreover, the deleveraging of the Portuguese financial sector continues and the total credit to individuals and to companies decreased 4.0% year on year, as of June 2017. The loan to deposit ratio of the banking sector in Portugal stood under 100% by the end of June 2017 versus 128% by the end of 2012 and 158% by the end of 2010.

Loans granted by Millennium bcp have continued to diminish, in a context of deleveraging of the non-financial sectors of the economy, resulting in a fall in demand for credit. At the same time, deposits also continued to grow despite the fact that the bank let go of some institutional deposits, requiring a larger remuneration, complying with a policy for the preservation of the financial margin. As the commercial gap closes, Millennium bcp has also been reducing its use of funding from the ECB, to 3.6 billion euros in June 2017. Over the upcoming months, the expectation is that these trends will continue, and it is highly likely that the credit/deposit ratio will continue to fall, together with the maintenance of funding from the ECB under 4 billion euros.

The maintenance of very low money market interest rates are contributing to the decrease of the spread on term deposits of the Portuguese banks, a trend that persisted in the first half of 2017, more than offsetting the lower spreads for credit.

The rates of the new term deposits reached, by June 2017, values near 25 basis points, and the portfolio's average rate should converge to these levels over the course of next year.

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

The profitability of the Portuguese banks is expected to continue to be conditioned by the prospects of low short term interest rates continuing to apply. Various institutions should continue to implement restructuring plans, to increase operating efficiency and the adjustment of business models, which translates into a decrease in the number of branches and employees and in the release of capital allocated to non-core activities. Profitability in the banking industry is still affected by a high level of NPEs. The profitability levels recorded by the banking system since the beginning of the financial crisis continue to limit the capacity to generate capital internally.

The Millennium bcp Group has a relevant exposure to Poland where there are risks due to legislative amendments that impact the Polish financial system. A proposal has been recently presented to solve the issue of the conversion of loans in Swiss francs in Poland and the Plan envisaged by the Polish President received the support from the Central Bank and the supervisor. This plan implies a quarterly contribution of up 0.5% (2% annually) on the mortgage loans in a foreign currency into a new restructuring fund for a long period of time. The objective is to promote the conversion of the loans into zloty.

There are still some risks connected with the economic context experienced by some African countries, with potential impact on the Group, particularly in Angola and in Mozambique, whose economic activity is decelerating and which faced a significant depreciation of their currencies in 2016.

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

Mangement is intensely focused on the stock of problematic assets and respective hedging levels, and measures should be adopted to reduce these assets, together with other preventive measures, to be applied within the scope of prudential supervision and targeted at new Non-Performing Loans (NPLs) so as to foster a more pro-active management of them, including measures to remove the blocking factors in legal, judicial and tax systems. The NPLs issue is particularly important within a European context, conditioning the profitability of European banks, namely Portuguese. The Bank has an ongoing plan for reducing Non-Performing Exposures (NPE) to around 7.5 billion euros at the end of 2017, which compares to 12.8 billion euros at the end of 2013.

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

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

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

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

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

After having conveyed reservations regarding the contingent capitalization obligation by the Portuguese Resolution Fund which was announced as part of the sale agreement for Novo Banco, Millennium bcp decided, in light of the legal deadline and as a precaution, to request the respective appreciation of this mechanism through administrative legal proceedings.

This diligence, which centers exclusively on the referred capitalization obligation, does not comprise the request by the Bank of, nor entail, the production of any suspending effects on the sale of Novo Banco and, consequently, brings no legal impediment to such sale within the foreseen delays.

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

To prevent bank institutions from structuring their liabilities in a way which may compromise the efficiency of the bail-in or of other resolution tools and to avoid the contagion risk or a bank run, the

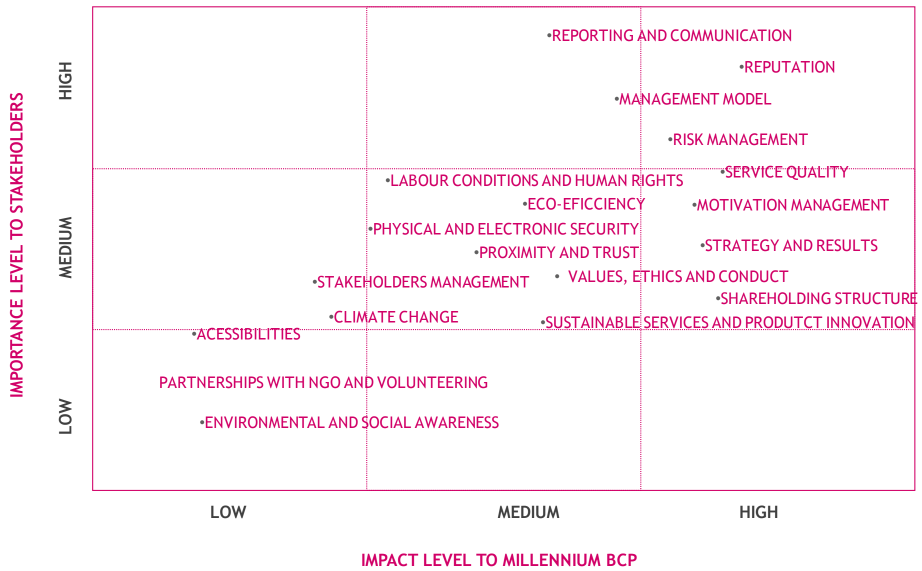
Directive establishes that the institutions will have to comply with a minimum requirement for own funds and eligible liabilities (MREL).

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

Value Added to Society

Involvement of Stakeholders

The identification and the ongoing follow-up of the themes considered material by the Stakeholders of Millennium bcp enabled the Bank to know the areas that show better performances within the scope of Sustainability, and also enabled it to rapidly detect improvement opportunities representing a strong contribution for the adoption of an appropriate sustainability strategy adapted to new realities, challenges and requirements.



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

Within this context, it is possible to divide the Bank's intervention into three major areas:

- Involvement with the external community and with the internal community;
- Products and services that incorporate social and environmental principles;
- Sharing sustainability principles.

Thus, Millennium bcp assumes, as an integral part of its business model, the commitment to create social value, developing actions for and with several groups of Stakeholders aiming to, directly and indirectly, contribute to the social development of the countries where it operates.

In the wake of the subscription in 2005 to the United Nations Global Compact Principles, Millennium bcp also commits to support these 10 Principles establishing a set of values regarding human rights, labour conditions, the environment and anti-corruption efforts. IN 2017 tyhe bank published the Communication on Progress (COP) in the GC Advanced Level.

The strategy of Millennium bcp is reflected in the Sustainability Plan (SP), commitments that aggregate a number of actions to be carried out by the Bank. The definition of the actions part of the SP is based on a balanced relation between the identified relevant material issues, the Bank's available resources and the economic and market framework existing at the time.

Sustainability Plan

The Sustainability Plan 2014/17 which, through a close, transparent and consequent relation, intends to face the main expectations identified during the regular surveys made of the Bank's main Stakeholders foresees, in its different aspects, the following initiatives and actions:

Sustainability Master Plan 2014 (SMP) - 2014/2017

Ethics and professional conduct	Enhance the ties established between Employees and the Bank's Values Foster a culture of compliance and of strict management of risk Publish clear policies for the prevention of corruption, for health and safety issues, human rights and the protection of maternity
Service Quality	Implement and improve the satisfaction evaluation processes; Create mechanisms for the immediate detection and management of improvement opportunities in the services provided to Customers.
Accessibilities	Improve the implementation of differentiated working hours; Enhance and promote the accessibilities made available to individuals with special needs.
Proximity and reporting	Enhance the proximity and involvement with the Bank's Shareholders; Improve the institutional report in the wake of Sustainability; Make a survey to identify the Stakeholders' expectations.
Management of expectations	Consult the Bank's Stakeholders to understand and meet their expectations Collect and implement ideas suggested by the Employees on Sustainability issues.
Motivation	Identify best performances at the Customer Service level; Support the adoption of healthy lifestyles; Improve mechanisms to ensure greater proximity between the Employees and top managers.
Products and Services	Consolidate the Bank's position in the microcredit market; Improve the negotiation and search for solutions able to meet the increasing financial difficulties of the Customers; Promote and launch products that observe social responsibility principles and cope with the new environmental challenges.
Share and promote awareness	Institutionalize the donation of the Bank's furniture and IT equipment to institutions in need; Implement social and/or environmental awareness actions common to the entire Group; Launch a financial literacy programme transversal to the Bank.
Volunteer Actions	Structure a volunteering programme for and with the participation of the Employees.
Partnerships	Develop campaigns together with non-governmental organizations and charitable institutions to foster a sustainable development.
Foundation Millennium bcp	Strengthen the identity of the Millennium bcp Foundation
Social and environmental risk	Promote climate change awareness with corporate clients developing their activities in sectors more exposed to risks and environmental regulations Identify and classify Corporate Clients with greater environmental and social risks Formalize compliance with social and environmental requisites in the relation established with Suppliers
Environmental performance	Enhance the measures for the reduction of consumption Implement measures aimed at the reduction of waste and the creation of a formal recycling process Formalize and communicate Environmental Performance and quantitative objectives

Value added to each Stakeholder Group

A solid Bank prepared for the Future

In the first half of 2017, the Bank recorded earnings of 89.9 million euros, benefiting from the continuous expansion of core income, which amounted to 558.6 million euros, comparing to 437.1 million euros in the first half of 2016. Millennium bcp is one of the most efficient banks in the euro area, with cost-to-core income and cost-to-income ratios of 45% and 43%, respectively, in the first six months of the year. In this period of time, there was an improvement in profitability, with ROE at 3.3%.

A highlight is asset quality, reflected in the decrease in Non-Performing Exposures (NPE) in Portugal to 7.8 billion euros, as at 30 June 2017, which shows the fast descent since 2013 (1.4 billion euros a year on average), and the maintenance of a comfortable level of liquidity, seen in the loan-to-deposit ratio (95%) and in the balance sheet loans to funds ratio (92%). Common Equity Tier 1 ratios, according to the fully implemented and phased-in criteria, stood at 11.3% and 13.0%, respectively.

For the first six months of 2017, BCP's shares were up 27.8%, exceeding the performance of the domestic benchmark index PSI 20 (+10.1%) and the European Eurostoxx 600 Banks Index (+7.1%).

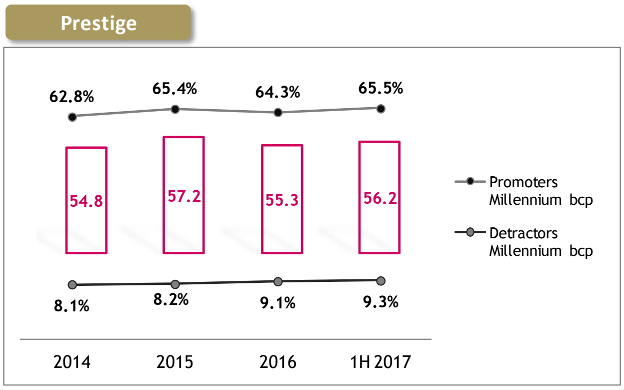
Ethics and professional conduct

The Millennium bcp Group has been developing its activity in a responsible manner towards Employees, Customers, Shareholders, Suppliers and remaining Stakeholders, always guiding its performance by compliance with internal principles of rigour, the applicable legislation and the regulations issued by the supervision and regulatory authorities:

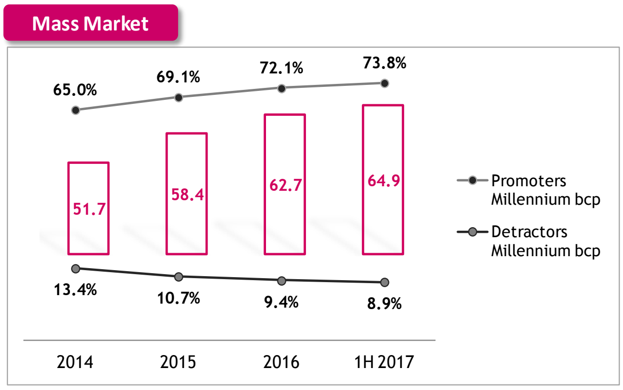
- Within the scope of prevention and detection of potential money laundering and terrorism financing situations (AML/CFT), the Compliance Office focused its actions in the first half of 2017 on the risk approach, strengthening scrutiny of account opening and analysis of transactions and Clients, within a context of growing regulatory requirements and a more complex business environment.
- Follow-up and participation in work groups to anticipate the impacts from the new European legislation and promotion of initiatives for purposes of mitigating them, highlighting the work done pursuant to the legislative initiatives known as "MiFID II, MAR and PRIIPs", "Personal Data Protection" and "PSD2".
- Provision to the Banco de Portugal of significant amounts of information, within the scope of the respective functions, whether on the theme of prevention - such as "Methods for the financing of the proliferation of weapons of mass destruction" and "Terrorism financing indicators" or on the distribution of competences within the context of governance and monitoring of retail banking products and services.
- Development of the Programme "*Third Party Risk Assessment*", pursuant to a recommendation made by the European Union.
- Carrying out of an extended programme of internal training on "Prevention of Money Laundering and Counter Terrorism Financing".
- Publication of a new version of the Code of Conduct. This enshrines the main values and conduct and corporate responsibility standards to be observed by Millennium bcp and by all the Group companies. Within this context, and through an e-learning methodology, all the Bank's employees and outsourcers in Portugal were made aware of the contents of the new version of the Code of Conduct.
- To reinforce Millennium bcp's commitment towards Society, it subscribed - and published – Millennium bcp's Tax Policy.

Service Quality

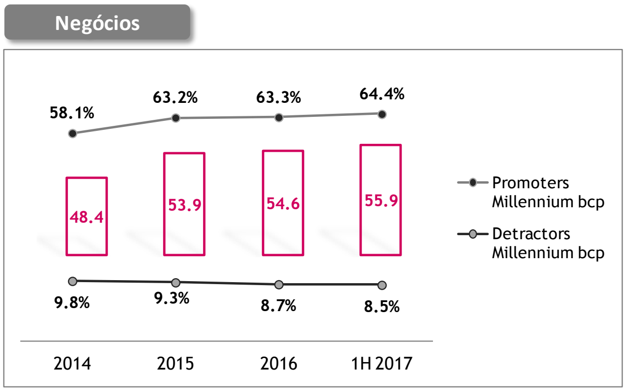
- Millennium bcp continues to focus on the model of assessment of Customer experiences. Immediately after interaction with the Bank, Customers are invited to answer a brief questionnaire aimed at assessing Customer satisfaction with this experience with the Bank and the corresponding level of recommendation.
  - During the first six months of 2017, the indicator NPS (Net Promoter Score) - the difference between the percentage of Promoter Customers (which grade the Bank with 8 or 9 on a scale from 0 to 9) and the percentage of Detractor Clients (which grade the Bank with 0 to 5 using the same scale) of Millennium bcp in the case of Prestige Clients rose slightly, up 0.9 points from 2016, due to the increase registered in Promoter Clients from 64.3% to 65.5% in spite of the slight increase in the percentage of Detractor Clients from 9.1%.to 9.3%.



  - Concerning Mass Market Clients, the percentage of Promoter Clients increased 1.7%, from 72.1% to 73.8%, and the percentage of Detractor Clients went down 0.5% to 8.9%, showing an increase of the NPS from 62.7 to 64.9 (+2.2 points).



  - Also for the Business Clients of the Retail network, the NPS showed a positive evolution versus 2016, reaching 55.9% in the first half-year of 2017. Such was due mainly to the increase in the percentage of Promoters by 1.1% versus 2016, to 64.4%.



- The Bank undertook another "Mystery Client" Action with 561 visits to Mass Market Branches, evaluating an "Account Opening" scenario. Regarding the actions carried out in 2015 and 2016 on the same issue, the percentage of fulfilment of the service choreography remained stable, at 81%. The results, although positive, show room for improvement since the bank intends to achieve a global percentage of compliance with the service choreography above 85%.

- In the first six months of 2017, the programme "#1 Customer Experience" continued to be in effect. Its main objective is to ensure the conditions for providing customers with distinctive and memorable experiences in all their interactions with the Bank.

  This programme, which began as training on behaviour and commercial techniques for all the Employees of the commercial network, continues in effect through systematic training called "Training #1", carried out in the Branches every month. The branches that present more challenges regarding those matters are monitored by the Commercial Managers and by "Ambassadors #1" (Employees who stood out in issues such as Customer service quality).

- Millennium bcp continued to monitor various market studies carried out by external companies, so as to obtain indicators to position the Bank in the sector and assess, with regard to quality of the service provided, the Bank's image, the products and services it sells and also Customer satisfaction and loyalty.
  - One of these studies is the CSI Banca, carried out by Marktest. It is a study made every six months and based on a structural model enabling to compare banks in aspects such as "Image", "Communication", "Quality of the Products and Services", "Competitiveness" and "Expectations", resulting in a Consumer Satisfaction Index. In the first six months of 2017, Millennium bcp kept the positive performance in the CSI Banca index it had recorded in 2016 and occupies now the 2nd position among the five major banks operating in Portugal.

    The CSI Banca index is a result of two indexes, one designed to evaluate the satisfaction of the Clients which prefer to use the Banks' branches (Index CSI Balcão) and another which intends the evaluate the satisfaction of the Clients who prefer to use internet banking solutions (CSI Internet Banking Index). In the CSI Balcão index, Millennium bcp is the only one of the five major banks to show a positive evolution, increasing the distance from the sector peers and reducing the distance versus the best ranked bank. In the CSI Internet Banking index the major Banks operating in Portugal are aligned. Four of the five largest banks got values between 70.0 and 70.9 (0.9 points is, thus, the value that separates these 4 banks, where Millennium bcp is included).
  - The BFin, made by DataE, focuses on the characterization of the banking industry in Portugal, according to the companies' perspectives, relating to products and services made available by the Banks. In the 2017 study, Millennium bcp is the main Bank for medium and large companies (with more than 4 employees) and the third bank in the segment of micro-businesses, being also the main Bank for exporting companies. Millennium bcp stands out in this study once again as the most innovative Bank with products better adjusted to the companies and closer to the Clients.

PROXIMITY AND REPORTING

- The Bank produced and published the 2016 Sustainability Report, a document which provides not only an integrated vision of the performance of the BCP Group in the Economic, Social and Environmental Areas but also the detail relating to each one of its operations in Mozambique, Poland, Portugal and Switzerland.

- The 2016 Sustainability Report from Bank Millennium was also made available, in this case with detailed information regarding the operation in Poland.
- Millennium bcp, besides regularly making public disclosures on non-financial information included in the sustainability perimeter, also answers to external, independent entities by filling in comprehensive questionnaires on those subjects. The participation in these external evaluation processes has enabled the comparison of performances between companies of the sector, as well as inclusion in Sustainability indexes.

  In the first six months of 2017 the Bank was included in the "European Banks Index" Sustainability index (Standard Ethics), and continued to be part of the indexes "Ethibel Excellence Europe" and "Ethibel EXCELLENCE Investment Register" (analyst Vigeo).
- In terms of an ongoing communication flow addressed to different audiences regarding sustainability issues and initiatives, the Bank continued to systematically disclose information, especially focused on the diversity and frequency of the following publications:
  - External communication, by regularly updating the sustainability area in the institutional website and by means of content on social networks, Facebook and YouTube;
  - Internal communication through the Bank's corporate channels.

MOTIVATION AND TRAINING

- In order to respond to the challenges placed by the market and as a way to comply with the legal and regulatory demands, the Bank founded in January 2016 its in-house corporate school, the Millennium Banking Academy (MBA). This isthe first in-house academy of a Bank in Portugal, certified by the General-Directorate of Employment and Work Relations (DGERT).

  Among the training actions launched in 2017, the courses on Protocol Credit, Factoring and Confirming, Trade Finance, Opening of a Company Account, Portugal 2020 App and Economic and Financial Analysis for Managers of Companies and Corporates (through a partnership established with INDEG and FEP) stand out for their significance in the affirmation of Millennium bcp as the reference bank in the support to companies. Currently, the Bank is preparing a workshop on Credit Decision.

  Globally, in the first six months of 2017, the MBA produced 20,320 hours of training through attendance and 33,215 hours of e-learning training addressed to Employees of Millennium in Portugal.

- Aware of the demands that being a parent implies, the Bank put into practice a Programme for the Protection of Parenting to create the necessary conditions to enable the Employees to achieve a better balance between work and family life.

  This Programme, which already counts 335 Millennium Babies since its implementation in 2015, contemplates a number of advantages addressed to Employees and their families, including the possibility of having a free afternoon on the birthday of their children up to 12 years of age, a benefit that, until the end of June 2017, has already been experienced by 2,790 Employees.

- The intention of the internal programme Mil Ideias is the generation of ideas based on the recognition of the creative force of the Employees capable of developing valuable ideas. 21 ideas were presented throughout the first six months of 2017.

PRODUCTS AND SERVICES

- The credit cards issued by Millennium bcp - Visa/Mastercard network and the Membership Rewards Programme of American Express - continue to foster social aid through loyalty programmes which enable the conversion of rebate card points into donations to Charitable institutions, namely to Cáritas Portuguesa, Liga Portuguesa Contra o Cancro, Unicef, Casa do Gaiato, Acreditar, Ajuda de Berço, Cerci and AMI (Reforestation of Portugal). In the first six months of 2017, 3,400 euros were donated, corresponding to 400 rebates.

- Materializing the Bank's cultural commitment, the credit cards issued by Millennium bcp continued to allow their holders to take advantage of the partnership with NOS movie theatres, offering two tickets for the price of one. In the first six months of 2017, this partnership enabled the attribution of 100,000 tickets.
- Millennium bcp meets the needs of investors that consider it important to contemplate social and environmental risk factors in their financial investments, continuing to place at their disposal, for subscription, Responsible Investment Funds (SRI - Socially Responsible Investing),through the online platforms of Millennium bcp and ActivoBank.
- Aiming to continue to support customers struggling with financial difficulties, and to avoid defaults, the Bank continued to promote the Financial Assistance Service (FAS). Within the scope of FAS packs, during the first six months of 2017 there were 7,794 contracts renegotiated (2,569 real-estate loans and 5,225 in consumer loans) with a restructuring value of 190 million euros (162 in real estate loans and 28 in consumer loans).
- Aiming to reduce the events which may foster social exclusion, Millennium bcp was one of the banking institutions that voluntarily provided the current account – Minimum Banking Services Account (SMB) - without associated costs. This account can be used with a debit card and through online banking. By the end of the first half-year of 2017, the total number of SMB accounts was 4,676.

- For Entities of the social sector, Millennium bcp has kept the Non-Profit Associations Account, a current account with special conditions, which does not require a minimum opening amount and is exempt from maintenance and overdraft fees. By the end of the first half-year of 2017, there were 3,677 accounts with these characteristics.
- Within the scope of the protocol established with the Instituto do Emprego e Formação Profissional (IEFP) and with the Mutual Guarantee Societies, the bank continued to provide support to investment projects implying the creation of companies by unemployed people offering them subsidized credit lines, through the: i) Microinvest Line - funded 35 entrepreneurs and with a total of 360,000 euros granted; and ii) Invest+ Line - supported 21 entrepreneurs, with a total of 794 million euros.
- So as to ease the inclusion of institutions from the terciary sector in the financial system, in 2013, a protocol was signed with Instituto de Emprego e Formação Profissional, Cooperativa António Sérgio para a Economia Social and the Mutual Guarantee Societies, defining a credit line – Social Investe – to support the social economy. In the first six months of 2017, the Bank maintained 9 operations in the portfolio, with a total value of 389,000 Euros.
- To support Agriculture and Fishing, the bank remained available to grant funds, under the protocol established with IFAP (Instituto de Financiamento da Agricultura e Pescas), through the credit lines – PRODER/ PROMAR and IFAP Curto Prazo - Millennium bcp financed 110 operations totalling 8.03 million euros.
- Under a protocol established between Millennium bcp and Turismo de Portugal, the Bank continued to have a credit line which enables companies to benefit from a credit line for projects aimed at the re-qualification of tourism undertakings and at the creation of new tourism undertakings, restaurants and leisure activities. 5 operations were financed, totalling 1,933 thousand Euros.
- Under the protocols signed with IAPMEI, PME Investimentos (Line Managing Entity) and the Mutual Guarantee Societies to support investment projects or increase the working capital, the Bank maintained the PME Crescimento Line active. 921 operations were financed, totalling 87.2 million euros.
- The financing line INVESTE QREN - in the wake of the protocol signed with the Portuguese State through Instituto Financeiro para o Desenvolvimento Regional (IFDR) and the Mutual Guarantee Societies to, within the scope of the current conjuncture, support companies in the access to bank credit whether to face treasury needs or implement investment projects, maintained 24 operations in the portfolio, with a total amount financed currently at 221 million Euros.
- The Bank also made available the - Line IFD Garantia 2016-2020 -, a protocol established between Millennium bcp, the Instituição Financeira de Desenvolvimento (IFD) and the Mutual Guarantee Societies that created a Credit Line with mutual guarantee to finance projects to be implemented in mainland Portugal to help reinforce the entrepreneurial capacity of the SME for the development of goods and services that are innovative in terms of processes, products, organization or marketing. In the first six months of 2017, the Bank kept 8 operations in the portfolio, with a total value of 1.19 million euros.
- The Contact Centre, a channel with great accessibility and close to Clients within the scope of their daily bank relation, enables Clients to access a wide range of bank services in extended working hours, 24/7, 365 days/year by phone. The foreign community resident in Portugal has available an automated and personalized customer service in English and Spanish. With the objective of making an ongoing monitoring of the quality of the service provided there is also a survey at the end of the phone conversation, and the results enable improvements in the processes and direct the training actions to address the issues that are deemed critical at each moment. In the first six months of 2017, the indicator NPS (Net Promoter Score) was 85 points.
- Within the scope of safety, the Bank continues to regularly disclose contents to its Clients, mainly alerting to the operations made in the remote channels and self-banking, particularly: i) Safety Newsletter, issued every three months which addresses issues regarding the safe use of the internet and of the millenniumbcp.pt website; ii) millenniumbcp.pt has an area devoted to the safe use of internet and of the Bank's remote channels, and iii) Online Safety Forum in collaboration with the Portuguese Banking Association, in the regular publication of contents that increase Customer awareness of security issues, in particular the use of internet and mobile banking.

MICROCREDIT

During the first six months of 2017, Millennium bcp, as part of its Social Responsibility policy, strengthened its commitment to the microcredit activity. The current economic context continues to be perceived by the Bank as an opportunity to provide support to all those who have an entrepreneurial mind and a feasible business idea, providing them with help to create their own businesses.

Within this scope, the main strategic priorities of microcredit were based on the disclosure of this type of funding and on the promotion of an entrepreneurial spirit in the different regions of Portugal, in order to strengthen the leading position of Millennium bcp in this area.

For that purpose, the Bank carried out 39 informative sessions, participated in 13 Entrepreneurial Fairs and held 358 meetings with Municipalities, Parishes, CLDS 3G universities, professional schools and other entities that develop their activities near the target population. These initiatives, articulated with the Bank's retail network, enabled performance synergies. From these, highlights include:

- Protocols established with the Municipalities of Calheta, Odivelas and Rio Maior, the parishes of Areeiro and Penha de França and with Madan - Parque Incubação de Empresas and NovAlmadaVelha - Agência de Desenvolvimento Local, Novos Percursos and Universidade Atlântica;
- Participation, as speakers on Microcredit, in the Masters in Social and Solidarity Economy from ISCTE, the Technical and Professional School of Mafra and in several workshops on "Entrepreneurship and Microcredit", namely in Braga, Matosinhos, Porto, Abrantes, Rio Maior, Bombarral, Setúbal and Madeira;
- Participation in the Entrepreneurship Event promoted by the Representation of the European Commission in Portugal and, as jury, in the National Centre for the Support of the Emigrant promoted by the Cabinet for the Support to the Migrant Entrepreneur of the High Commission for Migrations;
- Presence at the first Entrepreneurial Fairs of Amadora, Entroncamento, Palmela and Vila Nova de Gaia.

SHARE AND PROMOTE AWARENESS

- Participation in the 4th edition of Marketplace Lisbon, a social market drawing together companies, local authorities and non-profit institutions, where the participants display their offers and needs, promoting a sharing of knowledge and experiences which give rise to the exchange of goods and services. Millennium bcp, which was present for the third time at this event, established 6 agreements for donation of material with different social solidarity institutions and has provided support, in these three editions, to a total of 25 institutions.
- Regular support to institutions through the donation of IT equipment and office furniture that is no longer used, but is in condition to be reused. Currently, the Bank has a protocol signed with Entreajuda, the main beneficiary. In the first six months of 2017, the Bank donated over 1,147 items of IT equipment and furniture to 49 institutions, 226 of which went to Entreajuda.
- The "Portugal Restaurant Week" event, which counted once again with the participation of Millennium bcp, enabled the attribution of financial support to the solidarity institutions Acreditar and Casa Mimar. With the donation of one euro per each menu Restaurant Week consumed, the amount donated exceeded 20,000 euros.
- Millennium bcp participated for the 4th time in the annual edition of the ECO Movement - Companies against Wild Fires, a civil society project that aims to contribute to the prevention of forest fires and raise public awareness on risky behaviour.
- Culturally speaking, highlights include the Festival ao Largo, which every year presents on stage at Largo de São Carlos a series of free shows with the best of opera, ballet and symphonic music. This action intends to take art to a wider public, thus contributing to the cultural enrichment of the country.

- Millennium bcp has, for certain periods of time, provided a location in Tagus Park for charitable organisations to collect funds and promote their activties. In the first six months of 2017, an example of this practice is the CERCI Oeiras Pirilampo Mágico 2017 (for disabled children).
- The Bank has also been organizing, supporting and following up internal solidarity actions that promote a culture of proximity and add social value and are also a significant contribution for the materialization of the Social Responsibility Policy in Portugal. Among these initiatives, which received a special boost from the Direct Banking, Retail Marketing, Operations, Quality and Network Support and Credit Recovery Divisions, highlights include the "paper for Food 2017" campaign, the goal of which was to collect used paper in favour of the Food Bank. Some 3 tons of paper were collected.
- Support to external solidarity initiatives, namely the project "Vela Sem Limites", an initiative from the Clube Naval de Cascais which enables 60 disabled individuals to regularly practice sailing and many others to have their first sea experience.
- Due to the numerous wildfires that affected the country throughout the entire summer, causing considerable human and material damages, Millennium bcp placed at the disposal of customers whose homes were damaged by thefires a number of special conditions, namely within the scope of mortgage loans. The bank also created the a solidarity account to raisefunds to help the victims of the wild fires.
- In terms of financial management and financial literacy, Millennium bcp contributed to increase the level of financial literacy and the adoption of adequate financial behaviour, helping customers with their family budgets:
  - The promotion, on the institutional website, of instruments – Savings Centre, Finance Manager and the Kit for unexpected expenses - which, despite being independent tools, have the same purpose: to help customers manage their personal budgets. In the M Vídeos area of the website it is also possible to find tutorials and savings suggestions;
  - On the Mais Millennium Facebook page the Bank regularly shares content related with financial planning;
  - The Bank also participated in the Work Group of the Portuguese Banking Association, together with several financial institutions and the Instituto de Formação Bancária, whose mission is to develop and support initiatives for the promotion of the financial education of all citizens. An example of the activity developed in 2017 is the promotion of the "European Money Week" (EMW), launched by the European Banking Federation (EBF), which counted with the participation of 30 countries, and was promoted in Portugal by APB, during the month of March, together with Instituto de Formação Bancária and in partnership with Junior Achievement. During the European Money Week, Millennium bcp received a group of students who had the possibility of learning about the "backstage" of the institution, as well as a meeting with the Bank's CEO.

VOLUNTEER ACTIONS

- The Bank continued its collaboration with Junior Achievement Portugal (JAP), initiated in 2005, regarding the development of programmes targeted at entrepreneurial spirit, taste for risk, creativity and innovation, through: i) the sponsorship by Fundação Millennium bcp for the StartUp Programme (9th Edition) for university students; and ii) of Millennium bcp, in the support for programmes for basic and secondary education.

  During the 2016/2017 school year, 46 volunteers of Millennium bcp monitored more than 889 students from 38 schools in the various programmes of Junior Achievement Portugal, in a total of 491 hours of corporate volunteer work.

- The Bank (Employees and their families) continued to participate in the regular collection of food for the Portuguese Food Bank. Together, about 80 volunteers, employees and their families, gave, in May 2017, their charitable contribution at 7 of the warehouses of the Food Bank in the country, weighting, separating and packing the donated goods.

PARTNERSHIPS

- The Bank also remained close to universities, creating conditions for the establishment of academic internships. During the first six months of 2017, 39 students had the opportunity to put into practice the knowledge acquired in an academic internship and all interns were assisted by experienced tutors who guided them in the learning process.
- During the first six months of 2017 the Bank promoted 70 professional internships, to provide through this contact with the professional life an opportunity for the professional and personal enrichment of these young people which is distinctive and able to enhance their future employability.

THE MILLENNIUM BCP FOUNDATION

The Millennium bcp Foundation provides financial aid to cultural, scientific and social initiatives which, in the scope of patronage and institutional social responsibility, are aligned with the values of Millennium bcp and simultaneously satisfy some of the major needs identified in these three areas in Portugal and in other countries where Millennium bcp develops its activity.

Through June 2017, the Foundation supported several projects, from which we highlight, in the realm of Culture - the main vocation of the Foundation - particularly the preservation and disclosure of the Bank's art heritage, the following ones, which were free of charge:

- The Archaeological Centre of Rua dos Correeiros (NARC), with guided tours, which received 5,912 visitors in this period of time;
- Exhibitions in the Millennium Gallery such as the “Unspoken Dialogues”, with 3,531 visitors, “A Pressão da Luz - Álvaro Siza por Nuno Cera”, with 1,388 visitors. Within the scope of “Lisboa 2017 - Capital Ibero-Americana para a Cultura”, three exhibits were organized by each one of the floors of the Gallery: "Itacoaria – Cicatriz de Tordesilhas”, by Rigo (Portugal); “O Tempo Desenhado: Iconografias de um Povo Ameríndio da Amazónia”, by Pedro Niemeyer Cesarino (Brazil) and “Archivo Alexander Von Humboldt”, by Fabiano Kueva (Equator), which received 456 visitors until the end of June.

- In the promotion of museum activities, recovery of cultural heritage and other cultural initiatives, highlights include:
  - Museu Nacional de Arte Antiga (MNAA) - support to the purchase of a multimedia table, for the Library, the Capela das Albertas and to the making of a light, sound and performance show, in collaboration with Chapitô, inspired by the fall of the sculpture of the Archangel S. Michael;
  - National Coach Museum – support to the Exhibit "300 anos Embaixada D. João V";
  - Museu Nacional de Arte Contemporânea– Museu do Chiado (MNAC), the Portuguese museum of contemporary art: support for the exhibition "Sedução Modernidade" and for the activities carried out by the Museum;
  - Museu Nacional Grão Vasco – support for exhibitions;
  - Cupertino de Miranda Foundation - support for the "Museu Papel Moeda";
  - Palácio Nacional de Mafra - Conservation and restoration of the palace;
  - Regional Department for Northern Culture - support for the recovery of churches in the historical centre of Oporto;
  - Isto não é um Cachimbo (Association) - Map of the Contemporary Arts in Lisbon;
  - Directorate-General for the Arts – Portuguese Representation at the Venice Biennale 2017;

- Lisbon Architecture Triennale - joining the Open House initiative, opening the Millennium bcp building at Rua Augusta for guided tours.
- Fundação da Juventude - support for the contest "Martelinhos de S. João '17", as well as for the 2nd Millennium Research Scholarships Programme on Towns and Architecture and to the contest of Arts and Talents;
- Out of The Wall - support to the Educational Programme of the Exhibit “Leonardo da Vinci - As Invenções do Génio”, exhibited at the Congress Centre of Alfândega do Porto;
- Federation of Friends of the Museums of Portugal - support for the award Reynaldo dos Santos – for the best exhibit of 2016 in a Portuguese museum;
- Church of Nossa Senhora de Fátima – support for the "Corpo de Deus" procession;
- Árvore – Cooperative of Artistic Activities – support for a cycle of nine conferences under the theme "Culture and Citizenship".

• Regarding Education and Scientific Research examples include the following initiatives:
  - A scholarship programme from the Fundação Millennium bcp, aimed at students from Portuguese-speaking African countries and from Timor;
  - Universidade Católica Portuguesa – Faculdade de Ciências Económicas e empresariais – Scholarships for the Lisbon MBA;
  - Universidade Católica Portuguesa – Instituto de Estudos Políticos – Support for the chair on European Law;
  - Universidade Católica Portuguesa - Health Sciences Institute: Pedipedia project, development of an online encyclopaedia, a pedagogical resource to support clinical practices and training in child health care; recipients are health professionals, parents and care providers, children and teenagers from the Portuguese-speaking community;
  - Casa da América Latina - Chair Casa da América Latina / Fundação Millennium bcp - creation of a Guest Lecturer position for one physician at the Instituto de Higiene e Medicina Tropical to provide lectures on malaria;
  - Fundação Rui Osório de Castro: attribution of an award for scientific investigation in the area of paediatric oncology; The award Rui Osório de Castro Millennium bcp was created to foster the development of innovative projects and initiatives in this area, to promote better care for children with an oncologic disease;
  - Associação Empresários pela Inclusão Social (EPIS) – Educational project for social inclusion, programme “Mediators for academic success". In 2017, the programme was extended to a greater number of locations, reaching a higher number of students;
  - Instituto Camões – Award for the best student in the Portuguese language 2017.

• Within the scope of Social Solidarity, the Foundation supported, up to this date, actions from different entities, of which highlights include:
  - Association to support the blind and visually impaired of the Braga District – support for its activities;
  - Associação Portuguesa de Famílias Numerosas (APFN) - (Portuguese Association for Large Families) "Observatory of Family Responsible Municipalities", a project that intends to distinguish the municipalities that, by adopting family/employees oriented measures, stand out for the best practices adopted;
  - Vida Norte - Associação de Promoção e Defesa da Vida e da Família (Association for the defence of Life and Family) - support to the activities carried out by the institution that helps young mothers in need;
  - AESE- Higher Education Management Studies Association: Programa GOS – Gestão de Organizações Sociais (Management of Social Organizations) – programme developed in partnership established between the AESE - Escola de Direção de Negócios and ENTRAJUDA. The programme aims to improve the management actions undertaken by the senior staff of IPSS through training actions addressed to their governing bodies;
  - Fundação Portuguesa de Cardiologia - Support for the Month of the Heart which took place in May, this year under the theme "The heart in sports";

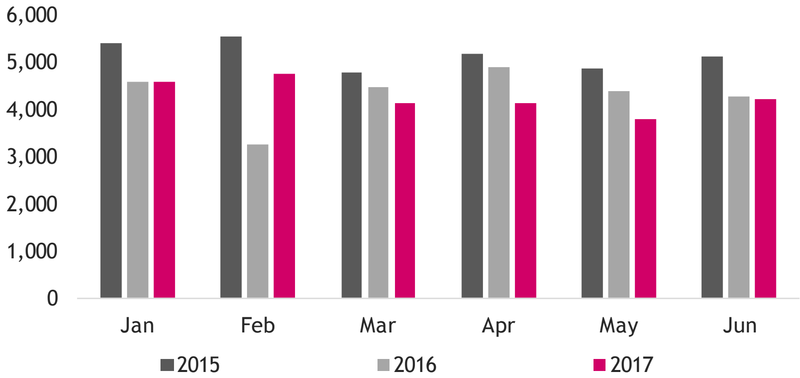
- Lar de Crianças Bom Samaritano – Support for the programmes to provide therapeutic help in mental health for children and young people;
- FAMSER – Associação de Apoio Famílias Desfavorecidas – Projeto GPS - Gerar, Percorrer e Socializar, a specialized residential foster home located in Castro Verde, capable of assisting 30 young people;
- Parish of Lumiar – Programme Lumiar Cidade das Crianças (Lumiar City of Children) a temporary project involving several activities in the area of education and citizenship, focused on road safety and environmental responsibility.

ENVIRONMENTAL IMPACT

Within the scope of the energy management policy and of the programme for the rationalization of consumption in Portugal, we need to point out the good performance recorded in the first six months of 2017 in terms of optimization of the Bank's energy consumption – in line with the one recorded in the last few years, in terms of both office buildings and branches.

This improvement is visible in a slight decrease (1.03%) of the global energy consumption versus the same period of 2016 (the reduction goal for 2017 is 3%), corresponding to a 266 MWh decrease in the consumption of electricity and around 104 fewer tons of CO2.

ENERGY COMPARISON - FIRST HALF
MWh



This ongoing reduction, the tangible and measurable result of the improvement process the bank is pursuing, is based on a strategy targeted at sustainability and the adequate management of the resources available but also on the materialization of energy efficiency measures, of which are an example some of the actions currently under way or planned:

- Production of Energy - installation of a PV central in Taguspark, which will enable to reduce the amount paid to the energy provider. This initiative brings enormous benefits in terms of the reduction of CO2 emissions, as it is a way of producing clean energy and helps to decentralize the generation of energy, placing it near the place where it is consumed. With this measure, the Bank consolidates its role as an energy producer since it already produces energy through co-generation in Taguspark;
- Lighting - Replacement of fluorescent lighting by LED technology with the improvement of the lighting levels and the reduction of the consumption of energy in most facilities of Taguspark. This measure will enable to improve work conditions and reduce the consumption of energy in lighting by almost 50%;
- AVAC Systems - incorporation of a variation of velocity in the ventilation systems of several buildings in Taguspark. This measure will enable to reduce energy consumption in ventilation of the AVAC system of these buildings by 30% - 40% and the automation of the functioning of the power stations of several buildings in Taguspark. This measure will enable the autonomous and independent functioning of both the thermal energy central and the respective hydraulic pumps, since the system will only work when there is the need to improve the thermal comfort;
- Power Systems - installation of capacitor banks in several branches to compensate the power factor. This measure, apart from the natural benefits in terms of the reduction of costs with reactive energy will provide an additional benefit from the improvement of the building's energy efficiency, since losses of active energy will be smaller in each one of the buildings intervened;

- Monitoring consumption, as a form of defining a stricter energy policy according to specific consumption profiles.

- Continuance, through regular communication actions, of the internal campaign - Reduction of Consumptions/ Environmental Signs. This initiative, which mainly focuses on the consumption of water, energy and paper, intends to contribute to the optimization of the Bank's operating costs, improve its environmental performance and increase the identification of the Employees with the organization through the incentive regarding the adoption of behavioural practices enabling a more rational use of these resources.

- The Green IT programme, promoted by the IT Division, was also continued, and covers a series of actions designed to identify measures and solutions that are reflected in technological and environmental gains. It was within this context that the bank consolidated the use of webcasting tools (4,441 sessions during the first six months of 2017) and the number of local printing continued to fall (2% less in relation to the same period in 2016), results which allowed the bank to continue to pursue a culture of sustainable habits as strictly required in terms of functional needs, reducing costs and waste, and optimising consumption.

- Within the scope of the technological projects, one must point out the extension of the project "GO P@perless" to new processes, continuing the dematerialisation of operations as a way to innovate and optimise processes, using solutions of electronic production and signing of documents, already available in all Bank Branches. In the first half of 2017 it was possible to reduce more than 9,830 thousand prints in Branch's equipment, corresponding to an 18.8% decrease compared with the same period of 2016.

- The bank also encourages the accession to the basic digital elements, through the a digital “check-up” (e-mail, e-statement, website and APP). This way, the number of Mass Market Customers with e-statement grew 11% versus December 2016. The dynamic performance of the Branches near the Clients also benefits from the new Digital Ombudsman who, in every Branch, is responsible for systematically promoting the use of the Bank's digital solutions.

  Millennium bcp thus continues to contribute to cutting the use and circulation of paper, on the one hand through regular communication/information actions on the advantages of documental dematerialisation, and on the other hand, through the promotion and execution of programmes of migration to digital solutions.

- It was within this context that Millennium bcp joined MUDA - Movimento pela Utilização Digital Ativa, with the objective of contributing for the increase use of digital by the Portuguese people within a joint effort that, in addition to the Portuguese State, also involves companies, associations and universities.

Regulatory Information

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR OF 2017

BANCO COMERCIAL PORTUGUÊS

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

	30 June 2017	31 December 2016	30 June 2016
	(Thousands of Euros)		
Assets			
Cash and deposits at central banks	1,650,857	1,573,912	2,178,315
Loans and advances to credit institutions			
Repayable on demand	491,497	448,225	415,547
Other loans and advances	895,899	1,056,701	1,389,207
Loans and advances to customers	48,065,976	48,017,602	49,186,077
Financial assets held for trading	973,978	1,048,797	1,234,270
Other financial assets held for trading at fair value through profit or loss	141,973	146,664	144,946
Financial assets available for sale	12,384,733	10,596,273	11,023,430
Assets with repurchase agreement	15,419	20,525	10,561
Hedging derivatives	113,860	57,038	115,022
Financial assets held to maturity	451,254	511,181	419,025
Investments in associated companies	596,005	598,866	558,736
Non current assets held for sale	2,223,967	2,250,159	1,906,134
Investment property	12,293	12,692	133,228
Other tangible assets	487,425	473,866	475,150
Goodwill and intangible assets	164,293	162,106	194,975
Current tax assets	7,576	17,465	36,113
Deferred tax assets	3,165,443	3,184,925	2,767,402
Other assets	1,181,290	1,087,814	879,395
	73,023,738	71,264,811	73,067,533
Resources from credit institutions	9,373,181	9,938,395	11,228,648
Resources from customers	50,635,749	48,797,647	48,762,037
Debt securities issued	3,121,425	3,512,820	4,018,060
Provisions	339,096	321,050	290,491
Subordinated debt	850,603	1,544,555	1,659,530
Current tax liabilities	8,912	35,367	18,151
Deferred tax liabilities	1,635	2,689	1,722
Other liabilities	981,941	915,528	977,325
Total Liabilities	66,078,026	65,999,630	68,053,888
Share capital	5,600,738	4,268,818	4,094,235
Treasury shares	(279)	(2,880)	(3,671)
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	(23,262)	(130,632)	(52,122)
Reserves and retained earnings	(51,314)	(102,306)	(7,725)
Net income for the period attributable to Shareholders	89,928	23,938	(197,251)
Total Equity attributable to Shareholders of the Bank	5,947,920	4,382,116	4,158,644
Non-controlling interests	997,792	883,065	855,001
Total Equity	6,945,712	5,265,181	5,013,645
	73,023,738	71,264,811	73,067,533

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statements
for the six months periods ended 30 June 2017 and 2016

	30 June 2017	30 June 2016
	(Thousands of Euros)	
Interest and similar income	956,582	965,476
Interest expense and similar charges	(278,083)	(364,672)
Net interest income	678,499	600,804
Dividends from equity instruments	1,605	5,804
Net fees and commission income	330,324	320,331
Net gains / (losses) arising from trading and hedging activities	58,596	74,564
Net gains / (losses) arising from available for sale financial assets	31,308	108,259
Net gains from insurance activity	2,713	2,748
Other operating income / (costs)	(85,869)	(86,328)
Total operating income	1,017,176	1,026,182
Staff costs	241,480	273,686
Other administrative costs	182,609	184,885
Depreciation	26,119	25,480
Operating costs	450,208	484,051
Operating net income before provisions and impairments	566,968	542,131
Loans impairment	(304,990)	(618,678)
Other financial assets impairment	(31,926)	(171,996)
Other assets impairment	(61,267)	(13,971)
Goodwill impairment for subsidiaries	(4)	(2,512)
Goodwill impairment for associated companies	(9,006)	-
Other provisions	(8,109)	(9,472)
Operating net income	151,666	(274,498)
Share of profit of associates under the equity method	35,104	37,716
Gains / (losses) from the sale of subsidiaries and other assets	(3,466)	(4,480)
Net (loss) / income before income tax	183,304	(241,262)
Income tax		
Current	(54,548)	(56,447)
Deferred	11,109	134,748
Net (loss) / income after income tax from continuing operations	139,865	(162,961)
Income arising from discontinued operations	1,250	45,227
Net income after income tax	141,115	(117,734)
Attributable to:		
Shareholders of the Bank	89,928	(197,251)
Non-controlling interests	51,187	79,517
Net income for the period	141,115	(117,734)
Earnings per share (in euros)		
Basic	0.015	(0.329)
Diluted	0.015	(0.329)

Glossary of the Performance Alternative Measures

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 instalments 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, assets under management and capitalisation products.

Porto Salvo, 30 September 2017

The Board of Directors

Consolidated Financial Statements and Notes to the Consolidated Financial Statements of the 1st half-year of 2017

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Income Statements
for the six months periods ended 30 June 2017 and 2016

	Notes	30 June 2017	30 June 2016
		(Thousands of Euros)	
Interest and similar income	3	956,582	965,476
Interest expense and similar charges	3	(278,083)	(364,672)
Net interest income		678,499	600,804
Dividends from equity instruments	4	1,605	5,804
Net fees and commissions income	5	330,324	320,331
Net gains / (losses) arising from trading and hedging activities	6	58,596	74,564
Net gains / (losses) arising from financial assets available for sale	7	31,308	108,259
Net gains from insurance activity		2,713	2,748
Other operating income / (costs)	8	(85,869)	(86,328)
Total operating income		1,017,176	1,026,182
Staff costs	9	241,480	273,686
Other administrative costs	10	182,609	184,885
Amortizations and depreciations	11	26,119	25,480
Total operating expenses		450,208	484,051
Operating net income before provisions and impairments		566,968	542,131
Loans impairment	12	(304,990)	(618,678)
Other financial assets impairment	13	(31,926)	(171,996)
Other assets impairment	27 and 32	(61,267)	(13,971)
Goodwill impairment of subsidiaries	30	(4)	(2,512)
Goodwill impairment of associated companies	26	(9,006)	-
Other provisions	14	(8,109)	(9,472)
Net operating income / (loss)		151,666	(274,498)
Share of profit / (loss) of associates under the equity method	15	35,104	37,716
Gains / (losses) arising from the sale of subsidiaries and other assets	16	(3,466)	(4,480)
Net income / (loss) before income taxes		183,304	(241,262)
Income taxes			
Current	31	(54,548)	(56,447)
Deferred	31	11,109	134,748
Income / (loss) after income taxes from continuing operations		139,865	(162,961)
Income arising from discontinued or discontinuing operations	17	1,250	45,227
Net income / (loss) after income taxes		141,115	(117,734)
Net income / (loss) for the period attributable to:			
Shareholders of the Bank		89,928	(197,251)
Non-controlling interests	44	51,187	79,517
Net income / (loss) for the period		141,115	(117,734)
Earnings per share (in Euros)	18		
Basic		0.015	(0.329)
Diluted		0.015	(0.329)

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 six months periods ended 30 June 2017 and 2016

30 June 2017 **(Thousands of Euros)**

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period	183,304	(43,439)	139,865	1,250	-	1,250	141,115	89,928	51,187
Items that may be reclassified to the income statement									
Fair value reserves	151,684	(34,301)	117,383	-	-	-	117,383	107,370	10,013
Exchange differences arising on consolidation	68,766	-	68,766	-	-	-	68,766	22,403	46,363
	220,450	(34,301)	186,149	-	-	-	186,149	129,773	56,376
Items that will not be reclassified to the income statement									
Actuarial gains for the period									
BCP Pensions Fund	45,924	(3,966)	41,958	-	-	-	41,958	41,958	-
Other subsidiaries and associated companies	(1,895)	-	(1,895)	-	-	-	(1,895)	(1,895)	-
	44,029	(3,966)	40,063	-	-	-	40,063	40,063	-
Other comprehensive income / (loss) for the period	264,479	(38,267)	226,212	-	-	-	226,212	169,836	56,376
Total comprehensive income / (loss) for the period	447,783	(81,706)	366,077	1,250	-	1,250	367,327	259,764	107,563

30 June 2016 **(Thousands of Euros)**

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period	(241,262)	78,301	(162,961)	50,355	(5,128)	45,227	(117,734)	(197,251)	79,517
Items that may be reclassified to the income statement									
Fair value reserves	(119,920)	29,333	(90,587)	(4,902)	1,471	(3,431)	(94,018)	(75,372)	(18,646)
Exchange differences arising on consolidation	(160,042)	-	(160,042)	80,575	-	80,575	(79,467)	(47,650)	(31,817)
	(279,962)	29,333	(250,629)	75,673	1,471	77,144	(173,485)	(123,022)	(50,463)
Items that will not be reclassified to the income statement									
Actuarial losses for the period									
BCP Pensions Fund	(188,987)	46,916	(142,071)	-	-	-	(142,071)	(142,071)	-
Other subsidiaries and associated companies	223	-	223	-	-	-	223	223	-
	(188,764)	46,916	(141,848)	-	-	-	(141,848)	(141,848)	-
Other comprehensive income / (loss) for the period	(468,726)	76,249	(392,477)	75,673	1,471	77,144	(315,333)	(264,870)	(50,463)
Total comprehensive income / (loss) for the period	(709,988)	154,550	(555,438)	126,028	(3,657)	122,371	(433,067)	(462,121)	29,054

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 April and 30 June 2017 and 2016

	Second quarter 2017	Second quarter 2016
	(Thousands of Euros)	
Interest and similar income	481,084	478,807
Interest expense and similar charges	(134,912)	(170,362)
Net interest income	346,172	308,445
Dividends from equity instruments	1,509	3,760
Net fees and commissions income	169,514	156,382
Net gains / (losses) arising from trading and hedging activities	29,464	58,987
Net gains / (losses) arising from financial assets available for sale	24,065	95,504
Net gains from insurance activity	1,973	786
Other operating income / (costs)	(68,303)	(76,997)
Total operating income	504,394	546,867
Staff costs	104,574	135,242
Other administrative costs	93,958	93,068
Amortizations	13,379	12,665
Total operating expenses	211,911	240,975
Operating net income before provisions and impairments	292,483	305,892
Loans impairment	(156,099)	(458,021)
Other financial assets impairment	(11,262)	(155,755)
Other assets impairment	(35,629)	(8,529)
Goodwill impairment of subsidiaries	-	(2,512)
Goodwill impairment of associated companies	(9,006)	-
Other provisions	(82)	(15,802)
Operating net income / (loss)	80,405	(334,727)
Share of profit of associates under the equity method	15,476	23,842
Gains / (losses) arising from the sale of subsidiaries and other assets	(5,103)	566
Net income / (loss) before income taxes	90,778	(310,319)
Income taxes		
Current	(26,620)	(31,893)
Deferred	2,287	125,192
Income / (loss) after income taxes from continuing operations	66,445	(217,020)
Income / (loss) arising from discontinued operations	1,250	16,222
Net income / (loss) after income taxes	67,695	(200,798)
Net income / (loss) for the period attributable to:		
Shareholders of the Bank	39,815	(243,929)
Non-controlling interests	27,880	43,131
Net income / (loss) for the period	67,695	(200,798)

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 April and 30 June 2017 and 2016

Second quarter 2017 (Thousands Euros)

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period	90,778	(24,333)	66,445	1,250	-	1,250	67,695	39,815	27,880
Items that may be reclassified to the income statement									
Fair value reserves	109,459	(26,530)	82,929	-	-	-	82,929	79,817	3,112
Exchange differences arising on consolidation	12,625	-	12,625	-	-	-	12,625	3,998	8,627
	122,084	(26,530)	95,554	-	-	-	95,554	83,815	11,739
Items that will not be reclassified to the income statement									
Actuarial gains for the period									
BCP Pensions Fund	45,924	(3,607)	42,317	-	-	-	42,317	42,317	-
Other subsidiaries and associated companies	-	-	-	-	-	-	-	-	-
	45,924	(3,607)	42,317	-	-	-	42,317	42,317	-
Other comprehensive income / (loss) for the period	168,008	(30,137)	137,871	-	-	-	137,871	126,132	11,739
Total comprehensive income / (loss) for the period	258,786	(54,470)	204,316	1,250	-	1,250	205,566	165,947	39,619

Second quarter 2016 (Thousands Euros)

	Continuing operations			Discontinued or discontinuing operations				Attributable to	
	Gross value	Taxes	Net value	Gross value	Taxes	Net value	Total	Shareholders of the Bank	Non-controlling interests
Net income / (loss) for the period	(310,319)	93,299	(217,020)	18,373	(2,151)	16,222	(200,798)	(243,929)	43,131
Items that may be reclassified to the income statement									
Fair value reserves	(118,524)	27,717	(90,807)	(5,462)	1,639	(3,823)	(94,630)	(67,663)	(26,967)
Exchange differences arising on consolidation	(113,914)	-	(113,914)	146,669	-	146,669	32,755	16,488	16,267
	(232,438)	27,717	(204,721)	141,207	1,639	142,846	(61,875)	(51,175)	(10,700)
Items that will not be reclassified to the income statement									
Actuarial losses for the period									
BCP Pensions Fund	(188,987)	46,904	(142,083)	-	-	-	(142,083)	(142,083)	-
Other subsidiaries and associated companies	223	-	223	-	-	-	223	223	-
	(188,764)	46,904	(141,860)	-	-	-	(141,860)	(141,860)	-
Other comprehensive income / (loss) for the period	(421,202)	74,621	(346,581)	141,207	1,639	142,846	(203,735)	(193,035)	(10,700)
Total comprehensive income / (loss) for the period	(731,521)	167,920	(563,601)	159,580	(512)	159,068	(404,533)	(436,964)	32,431

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

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

	Notes	30 June 2017	31 December 2016
		(Thousands of Euros)	
Assets			
Cash and deposits at Central Banks	19	1,650,857	1,573,912
Loans and advances to credit institutions			
Repayable on demand	20	491,497	448,225
Other loans and advances	21	895,899	1,056,701
Loans and advances to customers	22	48,065,976	48,017,602
Financial assets held for trading	23	973,978	1,048,797
Other financial assets held for trading			
at fair value through profit or loss	23	141,973	146,664
Financial assets available for sale	23	12,384,733	10,596,273
Assets with repurchase agreement		15,419	20,525
Hedging derivatives	24	113,860	57,038
Financial assets held to maturity	25	451,254	511,181
Investments in associated companies	26	596,005	598,866
Non-current assets held for sale	27	2,223,967	2,250,159
Investment property	28	12,293	12,692
Other tangible assets	29	487,425	473,866
Goodwill and intangible assets	30	164,293	162,106
Current tax assets		7,576	17,465
Deferred tax assets	31	3,165,443	3,184,925
Other assets	32	1,181,290	1,087,814
Total Assets		73,023,738	71,264,811
Liabilities			
Resources from credit institutions	33	9,373,181	9,938,395
Resources from customers	34	50,635,749	48,797,647
Debt securities issued	35	3,121,425	3,512,820
Financial liabilities held for trading	36	476,192	547,587
Hedging derivatives	24	289,292	383,992
Provisions	37	339,096	321,050
Subordinated debt	38	850,603	1,544,555
Current tax liabilities		8,912	35,367
Deferred tax liabilities	31	1,635	2,689
Other liabilities	39	981,941	915,528
Total Liabilities		66,078,026	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	(279)	(2,880)
Fair value reserves	43	(23,262)	(130,632)
Reserves and retained earnings	43	(51,314)	(102,306)
Net income for the period attributable to Shareholders		89,928	23,938
Total Equity attributable to Shareholders of the Bank		5,947,920	4,382,116
Non-controlling interests	44	997,792	883,065
Total Equity		6,945,712	5,265,181
		73,023,738	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 six months periods ended 30 June 2017 and 2016

	30 June 2017	30 June 2016
	(Thousands of Euros)	
Cash flows arising from operating activities		
Interests received	854,097	910,360
Commissions received	412,116	385,021
Fees received from services rendered	70,795	34,509
Interests paid	(284,597)	(372,880)
Commissions paid	(63,241)	(50,090)
Recoveries on loans previously written off	9,896	23,671
Net earned insurance premiums	10,217	7,424
Claims incurred of insurance activity	(5,807)	(3,991)
Payments to suppliers and employees	(557,250)	(609,422)
Income taxes (paid) / received	(60,902)	(24,065)
	385,324	300,537
Decrease / (increase) in operating assets:		
Receivables from / (Loans and advances to) credit institutions	172,921	(440,430)
Deposits held with purpose of monetary control	(12,493)	(450,918)
Loans and advances to customers receivable	(392,215)	1,139,811
Short term trading account securities	(897)	(162,015)
Increase / (decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	108,800	87,011
Deposits from credit institutions with agreed maturity date	(670,773)	2,601,383
Deposits from clients repayable on demand	2,182,594	291,976
Deposits from clients with agreed maturity date	(256,160)	(1,366,515)
	1,517,101	2,000,840
Cash flows arising from investing activities		
Sale of shares in subsidiaries and associated companies which results loss control	-	15,758
Acquisition of shares in subsidiaries and associated companies	(787)	-
Dividends received	44,652	16,848
Interest income from available for sale financial assets and held to maturity financial assets	119,805	106,489
Sale of available for sale financial assets and held to maturity financial assets	3,321,020	2,433,380
Acquisition of available for sale financial assets and held to maturity financial assets	(18,948,029)	(16,070,345)
Maturity of available for sale financial assets and held to maturity financial assets	14,246,615	12,163,836
Acquisition of tangible and intangible assets	(38,130)	(27,194)
Sale of tangible and intangible assets	4,729	4,889
Decrease / (increase) in other sundry assets	(296,638)	54,354
	(1,546,763)	(1,301,985)
Cash flows arising from financing activities		
Issuance of subordinated debt	5,122	1,587
Reimbursement of subordinated debt	(702,314)	(277)
Issuance of debt securities	1,278,370	94,144
Reimbursement of debt securities	(1,737,844)	(851,093)
Issuance of commercial paper and other securities	99,257	40,142
Reimbursement of commercial paper and other securities	(6,900)	(21,595)
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	(141,694)	115,743
	81,113	(642,256)
Exchange differences effect on cash and equivalents	68,766	(79,467)
Net changes in cash and equivalents	120,217	(22,868)
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)	505,563	469,952
Deposits at Central Banks (note 19)	1,145,294	1,708,363
Loans and advances to credit institutions repayable on demand (note 20)	491,497	415,547
Cash and equivalents at the end of the period	2,142,354	2,593,862

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the six months period ended 30 June 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	Equity attributable to the Shareholders of the Bank	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	-	-	-	-	-	-	-	-	89,928	89,928	51,187	141,115
Fair value reserves (note 43)	-	-	-	-	-	-	107,370	-	-	107,370	10,013	117,383
Actuarial gains	-	-	-	-	-	-	-	40,063	-	40,063	-	40,063
Exchange differences arising on consolidation	-	-	-	-	-	-	-	22,403	-	22,403	46,363	68,766
Total comprehensive income	-	-	-	-	-	-	107,370	62,466	89,928	259,764	107,563	367,327
Transfers to reserves:												
Legal reserve (note 42)	-	-	-	-	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)
Tax related to costs arising from the share capital increase	-	-	-	-	-	-	-	7,774	-	7,774	-	7,774
Dividends (a)	-	-	-	-	-	-	-	-	-	-	(7,787)	(7,787)
Treasury shares (note 42)	-	-	-	-	-	2,601	-	1,057	-	3,658	-	3,658
Other reserves (note 43)	-	-	-	-	-	-	-	(295)	-	(295)	14,951	14,656
Balance as at 30 June 2017	5,600,738	16,471	59,910	2,922	252,806	(279)	(23,262)	(51,314)	89,928	5,947,920	997,792	6,945,712

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

See accompanying notes to the interim condensed consolidated financial statements.

BANCO COMERCIAL PORTUGUÊS

Interim Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 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	Equity attributable to the Shareholders of the Bank	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	-	-	-	-	-	-	-	-	(197,251)	(197,251)	79,517	(117,734)
Fair value reserves (note 43)	-	-	-	-	-	-	(73,653)	-	-	(73,653)	(16,934)	(90,587)
Actuarial losses	-	-	-	-	-	-	-	(141,848)	-	(141,848)	-	(141,848)
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	-	-	-	-	-	-	-	(126,204)	-	(126,204)	(110,057)	(236,261)
Total comprehensive income	-	-	-	-	-	-	(75,372)	(189,498)	(197,251)	(462,121)	29,054	(433,067)
Transfers of reserves:												
Legal reserve (note 41)	-	-	-	-	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 (note 42)	-	-	-	-	-	(2,484)	-	1	-	(2,483)	-	(2,483)
Other reserves (note 43)	-	-	-	-	-	-	-	59	-	59	(153)	(94)
Balance as at 30 June 2016	4,094,235	16,471	59,910	2,922	245,875	(3,671)	(52,122)	(7,725)	(197,251)	4,158,644	855,001	5,013,645
Net income for the period	-	-	-	-	-	-	-	-	221,189	221,189	42,360	263,549
Fair value reserves (note 43)	-	-	-	-	-	-	(78,510)	-	-	(78,510)	(8,977)	(87,487)
Actuarial losses	-	-	-	-	-	-	-	(92,287)	-	(92,287)	(341)	(92,628)
Exchange differences arising on consolidation	-	-	-	-	-	-	-	5,388	-	5,388	1,971	7,359
Total comprehensive income	-	-	-	-	-	-	(78,510)	(86,899)	221,189	55,780	35,013	90,793
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 (note 42)	-	-	-	-	-	791	-	-	-	791	-	791
Other reserves (note 43)	-	-	-	-	-	-	-	(1,530)	-	(1,530)	(6,949)	(8,479)
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 six months ended 30 June 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 19 September 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 six month period ended 30 June 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 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

The Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in Net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as Net gains / (losses) from trading and hedging activities, when occurred.

(ii) Impairment

At each balance sheet date, an assessment is made of the existence of objective evidence of impairment. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quoted price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Reversal of impairment losses on equity instruments, classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (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.

As referred in note 22, with the purchase of a part of the residual note, the Group maintained the control of the assets and the liabilities of Magellan Mortgages No.2 e No.3, these Special Purpose Entities (SPE or SPV) are consolidated in the Group Financial Statements, in accordance with accounting policy referred in note 1 b).

The four operations are traditional securitizations, where each mortgage loan portfolio was sold to a Portuguese Loan Titularization Fund, which has financed this purchase through the sale of titularization units to an SPE with office in Ireland. At the same time this SPE issued and sold in the capital markets a group of different classes of bonds.

ii) Synthetic securitizations

The Group has two synthetic operations. Caravela SME No.3, which 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.

The analysis of the reclassifications is detailed in note 23 - Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale.

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 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)

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 ('Caixa de Abono de Família dos Empregados Bancários') which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Collective Labor Agreement ('Acordo Colectivo de Trabalho').

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

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

At the end of December 2016, a revision of the Collective Labour Agreement (ACT) was reached between the BCP Group and the 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 June 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 June 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 June 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 apply judgments and make estimates in deciding which treatment is most appropriate. The most significant of these accounting estimates and judgments used in the accounting principles application are discussed in this section in order to improve understanding of how their application affects the Group’s reported results and related disclosure.

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

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

i) Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c). The evaluation process in determining whether an impairment loss should be recorded is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows received, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in profit and loss of the Group.

ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the total amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

This aspect assumes greater relevance for the purposes of the analysis of the recoverability of deferred taxes, in which the Group considers projections of future taxable income based on a set of assumptions, including the estimate of income before tax, adjustments to the taxable and the interpretation of the tax legislation. Thus, the recoverability of deferred tax assets depends on the implementation of the Bank's Board of Directors, namely the ability to generate estimated taxable income and the interpretation of the tax legislation.

The taxable profit or tax loss reported by the Bank or its subsidiaries located in Portugal can be corrected by the Portuguese tax authorities within four years except in the case it has been made any deduction or used tax credit, when the expiration date is the period of this right report. The Executive Committee believes that any corrections resulting mainly from differences in the interpretation of tax law will not have material effect on the financial statements.

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 June 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 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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Net interest income (note 3)	678,499	600,804
Net gains from trading and hedging assets (note 6)	58,596	74,564
Net gains from financial assets available for sale (note 7)	31,308	108,259
	768,403	783,627

3. Net interest income

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Interest and similar income		
Interest on loans	768,125	782,808
Interest on trading securities	2,716	3,842
Interest on other financial assets valued at fair value through profit and loss account	1,753	1,780
Interest on available for sale financial assets	109,713	100,720
Interest on held to maturity financial assets	9,301	4,531
Interest on hedging derivatives	43,982	50,835
Interest on derivatives associated to financial instruments through profit and loss account	3,964	6,946
Interest on deposits and other investments	17,028	14,014
	956,582	965,476
Interest expense and similar charges		
Interest on deposits and other resources	182,637	208,914
Interest on securities issued	48,322	78,760
Interest on subordinated debt		
Hybrid instruments eligible as core tier 1 (CoCos) underwritten by the Portuguese State	6,343	32,801
Others	28,298	28,888
Interest on hedging derivatives	9,968	7,805
Interest on derivatives associated to financial instruments through profit and loss account	2,515	7,504
	278,083	364,672
	678,499	600,804

The balance Interest on loans includes the amount of Euros 20,161,000 (30 June 2016: Euros 21,336,000) 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 22,694,000 (30 June 2016: Euros 39,628,000) related to commissions and other costs accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest and similar income includes, the amount of Euros 59,104,000 (30 June 2016: Euros 64,128,000) related to interest income arising from customers with signs of impairment (individual and collective analysis).

4. Dividends from equity instruments

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Dividends from financial assets available for sale	1,604	5,804
Dividends from financial assets held for trading	1	-
	1,605	5,804

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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Fees and commissions received		
From guarantees	31,857	33,646
From commitments	2,013	2,034
From banking services	233,579	199,344
From insurance activity commissions	615	701
From securities operations	48,764	45,033
From management and maintenance of accounts	46,474	45,412
From fiduciary and trust activities	416	421
From other commissions	20,648	43,112
	384,366	369,703
Fees and commissions paid		
From guarantees received provided by third parties	2,819	2,409
From banking services	38,873	33,662
From insurance activity commissions	857	739
From securities operations	4,941	6,098
From other commissions	6,552	6,464
	54,042	49,372
	330,324	320,331

The balance Fees and commissions received - From banking services includes the amount of Euros 39,275,000 (30 June 2016: Euros 39,065,000) related to insurance mediation commissions.

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

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Gains arising on trading and hedging activities		
Foreign exchange activity	907,919	995,878
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	4,433	5,042
Variable income	401	23,716
Certificates and structured securities issued	30,659	46,076
Derivatives associated to financial instruments at fair value through profit and loss	14,390	21,020
Other financial instruments derivatives	234,028	218,086
Other financial instruments at fair value through profit and loss		
Other financial instruments	2,228	5,799
Repurchase of own issues	809	6,391
Hedging accounting		
Hedging derivatives	67,579	32,882
Hedged items	37,978	112,183
Credit sales	13,531	26,523
Other operations	3,239	1,177
	1,317,194	1,494,773
Losses arising on trading and hedging activities		
Foreign exchange activity	868,022	951,758
Transactions with financial instruments recognised at fair value through profit and loss		
Held for trading		
Securities portfolio		
Fixed income	2,680	4,607
Variable income	488	24,227
Certificates and structured securities issued	64,321	1,605
Derivatives associated to financial instruments through profit and loss	7,504	18,536
Other financial instruments derivatives	184,832	265,216
Other financial instruments at fair value through profit and loss		
Securities portfolio		
Fixed income	1,647	4,036
Other financial instruments	8,603	6,163
Repurchase of own issues	353	5,557
Hedging accounting		
Hedging derivatives	99,083	123,680
Hedged items	8,258	11,893
Credit sales	12,031	783
Other operations	776	2,148
	1,258,598	1,420,209
	58,596	74,564

The balance Net gains arising from trading and hedging activities includes, as at 30 June 2017, for Deposits from customers - Deposits at fair value through profit and loss, a loss of Euros 227,000 (30 June 2016: gain of Euros 2,832,000) related to the fair value changes arising from changes in own credit risk (spread), as referred in note 34.

This balance also includes for Debt securities at fair value through profit and loss, a gain of Euros 392,000 (30 June 2016: loss of Euros 923,000) as referred in note 35, and for derivatives liabilities associated to financial instruments a gain of Euros 1,616,000 (30 June 2016: gain of Euros 8,730,000), related to the fair value changes arising from changes in own credit risk (spread).

The caption Transactions with financial instruments measured at fair value through profit and loss - Other financial instruments measured at fair value through profit and loss, did not present any material impact on differences in the initial recognition between fair value and transaction price of financial assets or financial liabilities at fair value through profit and loss (IAS 39 paragraphs 43A and AG76 and IFRS 7.28).

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

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

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Gains arising from financial assets available for sale		
Fixed income	18,069	17,703
Variable income	15,256	91,027
Losses arising from financial assets available for sale		
Fixed income	(2,007)	(470)
Variable income	(10)	(1)
	31,308	108,259

The balance Gains arising from financial assets available for sale - Fixed income - includes, as at 30 June 2017, the amount of Euros 4,787,000 (30 June 2016: Euros 246,000) related to gains resulting from the sale of Portuguese Treasury bonds.

On 21 June 2016, it was completed the purchase of Visa Europe Ltd by Visa Inc. Both Banco Comercial Português, S.A (BCP) and Bank Millennium S.A. (Poland), as a key member of Visa Europe Ltd benefited from this transaction, which resulted in the receipt for the sale of shareholdings in Visa Europe Ltd to Visa Inc., an up-front cash value and convertible preferred shares into common shares of Visa Inc. Class A and a deferred payment to 3 years.

The balance Gains arising from financial assets available for sale - Variable income included, as at 30 June 2016, the amount of Euros 90,992,000 (of which Euros 64,639,000 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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Operating income		
Income from services	13,622	13,678
Cheques and others	6,466	6,637
Gains on leasing operations	5,043	1,669
Rents	1,181	1,429
Other operating income	6,911	4,520
	33,223	27,933
Operating costs		
Taxes	10,542	11,839
Donations and contributions	1,847	2,519
Contribution over the banking sector	31,037	24,820
Resolution Funds Contribution	8,490	5,651
Contribution for the Single Resolution Fund	18,246	21,222
Contributions to Deposit Guarantee Fund	17,230	10,363
Tax for the Polish banking sector	21,989	18,393
Losses on financial leasing operations	64	433
Other operating costs	9,647	19,021
	119,092	114,261
	(85,869)	(86,328)

The balance Contribution over the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) notional amount of derivatives.

The balance Contribution to the Resolution Fund corresponds to the periodic contributions that must be paid to the Fund, as stipulated in Decree-Law No 24/2013. The periodic contributions are determined by a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile on the basis of the objective incidence of those contributions. The period contributions afect the liabilities of the credit institutions members of the Fund, as per the article 10 of the referred Decree-Law, deducted from the liability elements that are part of the core capital and supplementary and from the deposits covered by the Deposit Guarantee Fund.

The balance Contribution to the Single Resolution Fund ('SRF') corresponds to the Bank's annual ex-ante contribution to support the application of resolution measures at EU level. The SRF has been established by Regulation (EU) No 806/2014 (the "SRM Regulation"). The SRF is financed from ex-ante contributions paid annually at individual level by all credit institutions within the Banking Union. Contributions to the SRF take into account the annual target level as well as the size and the risk profile of institutions.

In calculating the ex-ante contributions, the SRF applies the methodology as set out in the Commission Delegated Regulation (EU) 2015/63 and European Parliament and of the Council Regulation (EU) 806/2014. The annual contribution to the Fund is based on the institution's liabilities excluding own funds and covered deposits considering adjustments due to derivatives and intra group liabilities and on a risk factor adjustment that depends on the risk profile of the institution.

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

During the first semester of 2017, the Group delivered the amount of Euros 18,246,000 (30 June 2016: Euros 21,222,000) to the Single Resolution Fund. The total value of the contribution attributable to the Group amounted to Euros 21,466,000 (30 June 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 June 2016: Euros 3,745,000), 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.

The balance Contribution to Deposit Guarantee Fund includes, as at 30 June 2017 the amount of Euros 17,120,000 (30 June 2016: Euros 20,281,000) regarding obligatory contributions made by Bank Millennium, S.A to Poland's Bank Guarantee Fund (BFG). It was introduced an amendment to the BFG Act which changed the periodicity of calculation and payment of BFG contributions to the resolution fund (former prudential fee) from quarterly to yearly (as regards contribution to guarantee fund quarterly cycle of calculation has been maintained). In addition, the methodology for calculating of both contributions has been changed, the final amounts of fees in 2017 are calculated and reported to each Polish bank by BFG. As a consequence, according to requirements of IFRIC 21, the Bank Millennium, S.A. recognised on a one-off basis costs of the resolution fee (based on estimations), at the moment of recognition obligation to pay the contribution i.e. at 1 January, having been made an adjustment to the final value reported during the first semester of 2017.

9. Staff costs

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Remunerations	205,574	207,865
Mandatory social security charges		
Post-employment benefits (note 48)		
Service cost	(8,158)	(376)
Net interest cost / (income) in the liability coverage balance	2,267	2,252
Cost / (income) with early retirement programs and mutually agreed terminations	4,094	(889)
Collective Labour Agreement	(39,997)	-
	(41,794)	987
Other mandatory social security charges	62,413	50,196
	20,619	51,183
Voluntary social security charges	1,189	6,230
Other staff costs	14,098	8,408
	241,480	273,686

10. Other administrative costs

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Rents and leases	48,049	50,045
Outsourcing and independent labour	38,245	37,018
Advertising	13,340	11,826
Communications	10,864	11,895
Maintenance and related services	8,620	9,584
Information technology services	8,559	9,387
Water, electricity and fuel	7,738	8,232
Advisory services	5,896	4,850
Transportation	3,797	4,196
Travel, hotel and representation costs	3,737	3,825
Legal expenses	3,567	3,093
Consumables	2,285	2,303
Insurance	2,303	2,220
Credit cards and mortgage	3,115	1,942
Training costs	889	647
Other specialised services	9,566	11,269
Other supplies and services	12,039	12,553
	182,609	184,885

The balance Rents and lease includes the amount of Euros 39,626,000 (30 June 2016: Euros 41,812,000) related to rents paid regarding buildings used by the Group as lessee.

In accordance with accounting policy 1l), under IAS 17, the Group has various operating leases for properties and vehicles. The payments under these leases are recognised in the profit and loss during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity, are as follows:

	Jun 2017			Jun 2016		
	Properties Euros '000	Vehicles Euros '000	Total Euros '000	Properties Euros '000	Vehicles Euros '000	Total Euros '000
Until 1 year	91,271	314	91,585	74,924	847	75,771
1 to 5 years	77,531	266	77,797	80,734	625	81,359
Over 5 years	15,281	-	15,281	13,769	3	13,772
	184,083	580	184,663	169,427	1,475	170,902

11. Amortizations and depreciations

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Intangible assets amortizations (note 30):		
Software	5,236	5,167
Other intangible assets	357	215
	5,593	5,382
Other tangible assets depreciations (note 29):		
Properties	9,718	10,122
Equipment		
Computer equipment	4,414	3,774
Motor vehicles	2,207	2,219
Interior installations	978	936
Furniture	953	842
Security equipment	807	803
Machinery	325	348
Other equipment	1,124	1,054
	20,526	20,098
	26,119	25,480

12. Loans impairment

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Loans and advances to customers:		
Impairment charge for the period	551,222	734,889
Write-back for the period	(236,336)	(92,538)
Recovery of loans and interest charged-off (note 22)	(9,896)	(23,671)
	304,990	618,680
Loans and advances to credit institutions:		
Write-back for the period	-	(2)
	304,990	618,678

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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Impairment of financial assets available for sale		
Charge for the period (note 23)	31,926	171,996

The balance Impairment of financial assets available for sale - Charge for the period includes the impairment losses on shares and on participation units held by the Group in the amount of Euros 31,917,000 (30 June 2016: Euros 133,144,000). This amount includes Euros 31,609,000 (30 June 2016: Euros 123,252,000) related to impairment losses on investments held in restructuring funds, as described in note 56.

14. Other provisions

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Provision for guarantees and other commitments (note 37)		
Charge for the period	8,286	14,384
Write-back for the period	(9,433)	(4,167)
	(1,147)	10,217
Other provisions for liabilities and charges (note 37)		
Charge for the period	9,748	7,083
Write-back for the period	(492)	(7,828)
	9,256	(745)
	8,109	9,472

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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	17,368	8,640
Banco Millennium Atlântico, S.A.	15,771	2,953
Unicre - Instituição Financeira de Crédito, S.A.	2,824	23,920
Banque BCP, S.A.S.	1,813	1,438
SIBS, S.G.P.S, S.A.	1,108	3,957
Banque BCP (Luxembourg), S.A.	8	40
Other companies	(3,788)	(3,232)
	35,104	37,716

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 in April 2016, the Group was entitled to hold 22.5% of the new entity, the Banco Millennium Atlântico, S.A., which started to be accounted by the equity method from May 2016. Thus, with reference to 30 June 2016, the contribution of Banco Millennium Atlântico, S.A is equivalent to 2 months. The main impacts of this transaction are detailed in note 57.

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

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Sale of 3.7% the 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% the investment held in Nanium	(3,821)	-
Other assets	357	(4,945)
	(3,466)	(4,480)

The caption Gains / (losses) arising from the sale 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 revaluations of investment properties (note 28).

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

The amount of this account is comprised of:

	Jun 2017 Euros '000	Jun 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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Continuing operations		
Net income / (loss)	139,865	(162,961)
Non-controlling interests	(51,187)	(61,151)
Appropriated net income / (loss)	88,678	(224,112)
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)	89,928	(197,251)
Average number of shares	12,314,299,742	1,205,801,483
Basic earnings per share (Euros):		
from continuing operations	0.015	(0.374)
from discontinued or discontinuing operations	0,000	0.045
	0.015	(0.329)
Diluted earnings per share (Euros):		
from continuing operations	0.015	(0.374)
from discontinued or discontinuing operations	0,000	0.045
	0.015	(0.329)

The Bank's share capital, as at 30 June 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.

During 2016, Banco Comercial Português proceeded with a reverse stock split, without decrease of the share capital, of the shares representing the Bank’s share capital, by applying a regrouping ratio of 1:75, every 75 shares prior to the reverse split corresponding to 1 share thereafter, which is applicable to all the shares, in the same proportion.

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 (Fosun Group) at a subscription price of Euros 1.1089 per new share.

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 ordinary shares will be 15,113,989,952, with a price of Euros 0.0940 per share.

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 June 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 June 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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Cash	505,563	540,290
Central Banks		
Bank of Portugal	373,717	433,534
Central Banks abroad	771,577	600,088
	1,650,857	1,573,912

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

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Credit institutions in Portugal	5,785	659
Credit institutions abroad	365,530	232,152
Amounts due for collection	120,182	215,414
	491,497	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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Other loans and advances to Central Banks abroad	24,954	12,461
Other loans and advances to credit institutions in Portugal		
Loans	37,138	15,586
Other applications	3,850	4,801
	40,988	20,387
Other loans and advances to credit institutions abroad		
Very short-term applications	206,117	180,347
Short-term applications	292,124	548,564
Loans	-	4
Other applications	331,214	294,439
	829,455	1,023,354
	895,397	1,056,202
Overdue loans - Over 90 days	502	499
	895,899	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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Other loans and advances to credit institutions in Portugal		
Other applications	3,230	2,840
Other loans and advances to credit institutions abroad		
Short-term applications	88,344	242,896
Other applications	325,702	275,180
	417,276	520,916

These deposits are held by the counterparties and are given as collateral of the referred operations (IRS and CIRS), whose revaluation is negative for the Bank.

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

	Jun 2017 Euros '000	Jun 2016 Euros '000
Balance on 1 January	-	2
Write-back for the period	-	(2)
Balance on 30 June	-	-

22. Loans and advances to customers

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Public sector	961,975	1,041,191
Asset-backed loans	28,153,365	29,011,503
Other guaranteed loans	4,018,702	3,985,120
Unsecured loans	7,452,811	6,821,163
Foreign loans	1,956,319	2,099,860
Factoring operations	1,973,113	1,794,778
Finance leases	3,464,232	3,373,561
	47,980,517	48,127,176
Overdue loans - less than 90 days	415,933	134,934
Overdue loans - Over 90 days	3,287,692	3,496,343
	51,684,142	51,758,453
Impairment for credit risk	(3,618,166)	(3,740,851)
	48,065,976	48,017,602

As at 30 June 2017, the balance Loans and advances to customers includes the amount of Euros 12,273,768,000 (31 December 2016: Euros 12,027,960,000) regarding credits related to mortgage loans issued by the Group.

As referred in note 51, 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 June 2017 and as referred in note 56, 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 semester of 2017, no credits have been sold to these funds.

As referred in note 49, the Group provides loans and/or guarantees to qualifying shareholders holding individually or together with their affiliates, 2% or more of the share capital, identified in the Board of Directors report and in note 40.

As at 30 June 2017, the Group granted credit to qualifying shareholders and entities controlled by them, in the amount of Euros 229,573,000 (31 December 2016: Euros 237,707,000), as referred in note 49 a). The amount of impairment recognised for these contracts amounts to Euros 187,000 (31 December 2016: Euros 130,000).

The business conducted between the company and qualifying shareholders or natural or legal persons related to them, pursuant to article 20 of the Securities Code, regardless of the amount, is always subject to appraisal and deliberation by the Board of Directors, through a proposal by the Credit Committee and the Executive Committee, supported by an analysis and technical opinion issued by the Internal Audit Division, and after a prior opinion has been obtained from the Audit Committee.

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

	Jun 2017 Euros '000	**Dec 2016 Euros '000**
Loans not represented by securities		
Discounted bills	239,542	284,378
Current account credits	1,659,159	1,625,812
Overdrafts	1,511,423	1,339,874
Loans	13,292,340	13,689,736
Mortgage loans	23,558,583	23,952,257
Factoring operations	1,973,113	1,794,778
Finance leases	3,464,232	3,373,561
	45,698,392	46,060,396
Loans represented by securities		
Commercial paper	2,007,070	1,843,345
Bonds	275,055	223,435
	2,282,125	2,066,780
	47,980,517	48,127,176
Overdue loans - less than 90 days	415,933	134,934
Overdue loans - Over 90 days	3,287,692	3,496,343
	51,684,142	51,758,453
Impairment for credit risk	(3,618,166)	(3,740,851)
	48,065,976	48,017,602

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

	Jun 2017		Dec 2016	
	Euros '000	**%**	**Euros '000**	**%**
Agriculture and forestry	333,590	0.65%	340,577	0.66%
Fisheries	53,861	0.10%	53,382	0.10%
Mining	99,671	0.19%	102,242	0.20%
Food, beverage and tobacco	624,449	1.21%	604,397	1.17%
Textiles	474,204	0.92%	470,765	0.91%
Wood and cork	243,474	0.47%	222,993	0.43%
Paper, printing and publishing	255,840	0.50%	207,963	0.40%
Chemicals	941,786	1.82%	748,720	1.45%
Machinery, equipment and basic metallurgical	1,121,899	2.17%	1,061,729	2.05%
Electricity and gas	626,241	1.21%	578,499	1.12%
Water	203,151	0.39%	209,693	0.41%
Construction	2,779,475	5.38%	2,859,301	5.52%
Retail business	1,302,170	2.52%	1,272,782	2.46%
Wholesale business	1,992,811	3.86%	1,917,220	3.70%
Restaurants and hotels	1,073,935	2.08%	974,176	1.88%
Transports	1,372,547	2.66%	1,491,856	2.88%
Post offices	6,199	0.01%	6,340	0.01%
Telecommunications	437,759	0.85%	379,594	0.73%
Services				
Financial intermediation	3,608,033	6.98%	4,060,971	7.85%
Real estate activities	1,425,560	2.76%	1,485,709	2.87%
Consulting, scientific and technical activities	1,186,255	2.30%	894,047	1.73%
Administrative and support services activities	490,422	0.95%	497,982	0.96%
Public sector	1,151,085	2.23%	740,839	1.43%
Education	126,765	0.25%	125,974	0.24%
Health and collective service activities	298,712	0.58%	281,158	0.54%
Artistic, sports and recreational activities	369,072	0.71%	381,572	0.74%
Other services	620,866	1.20%	635,861	1.23%
Consumer credit	3,789,547	7.33%	4,057,789	7.84%
Mortgage credit	23,678,404	45.80%	24,018,307	46.41%
Other domestic activities	7,150	0.01%	7,888	0.02%
Other international activities	989,209	1.91%	1,068,127	2.06%
	51,684,142	100.00%	51,758,453	100.00%
Impairment for credit risk	(3,618,166)		(3,740,851)	
	48,065,976		48,017,602	

The caption Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of IFRS 10, in accordance with accounting policy 1 b) and synthetic securitization. The characterization of these operations is described in note 1 d) 6 ii).

Traditional securitizations

Securitization transactions engaged by the Group refer to mortgage loans and are set through specifically created SPE. As at 30 June 2017, the loans and advances referred to these traditional securitization transactions amounts to Euros 497,617,000 (31 December 2016: Euros 527,924,000) As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are consolidated by the full method.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE “Magellan Mortgages No. 2 PLC”. Considering that, by having acquired the total subordinated tranches, the Group holds the control of the referred assets, the SPE is consolidated in the Group’s Financial Statements, as established in the accounting policy 1 b). As at 30 June 2017, the SPE's credit portfolio associated with this operation amounts to Euros 131,777,000, and the bonds issued with different subordination levels amount to Euros 117,001,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 14,661,000 and Euros 14,000,000 of the most subordinated tranche fully acquired).

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired part of the subordinated tranche, the Group holds the control of the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). As at 30 June 2017, the SPE's credit portfolio associated with this operation amounts to Euros 365,840,000, and bonds issued with different subordination levels amount to Euros 263,174,000 (this amount excludes bonds already acquired by the Group in the amount of Euros 118,446,000) and the most subordinated tranche amounts to Euros 44,000 (this amount excludes bonds already acquired by the Group in the amount Euros 206,000).

Synthetic securitizations

The Group has two operations in progress which form structures of synthetic securitization.

Caravela SME No. 3

Caravela SME No.3, which 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. The maturity date is 25 March of 2036 and as at 30 June 2017, the synthetic securitization "Caravela SME No.3" amounts to Euros 2,435,892,000. The fair value of swaps is recorded in the amount of Euros 185,639,000 and the associated cost in the first semester of 2017 amounts to Euros 9,196,000.

Caravela SME No. 4

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). The maturity date is 21 September of 2043 and as at 30 June 2017, the synthetic securitization "Caravela SME No.4" amounts to Euros 1,134,254,000. The fair value of swaps is recorded at the amount of Euros 56,525,000 and their associated cost in first semester of 2017 amounts to Euros 736,000.

In both operations, the Bank hired a Credit Default Swap (CDS) with a Special Purpose Vehicle (SPV), buying by this way the protection for the total portfolio referred. Both cases, the synthetic securitizations, the same CDS, the risk of the respective portfolios were divided in 3 classes: senior, mezzanine and equity. The mezzanine and part of the equity (20%) were placed in the market through an SPV, and the subscription by investors, the Credit Linked Notes (CLSs). The Bank retained the senior risk and part of the equity remaining (80%). The product of the CLNs issue was invested by the SPV in a deposit which total collateral the responsibilities in the presence of the Bank, in accordance of the CDS.

These operations involve the Bank's reduced exposure to the risks associated with the credit granted, but it did not transfer to all third parties the rights and obligations arising from the credits included in them, thus not meeting the criteria set out in paragraphs 16 and subsequent IAS 39 for derecognition.

The Group's credit portfolio, which includes further than loans and advances to customers, the guarantees granted and commitments to third parties, split between loans with or without signs of impairment is analysed as follows:

	Jun 2017 Euros '000	**Dec 2016 Euros '000**
Total loans	56,176,392	56,594,498
Loans and advances to customers with signs of impairment		
Individually significant		
Gross amount	6,404,777	6,535,910
Impairment	(2,643,729)	(2,587,273)
	3,761,048	3,948,637
Collective analysis		
Gross amount	3,314,604	3,829,973
Impairment	(978,498)	(1,164,037)
	2,336,106	2,665,936
Loans and advances to customers without signs of impairment	46,457,011	46,228,615
Impairment (IBNR)	(123,152)	(117,597)
	52,431,013	52,725,591

The total loan portfolio presented in the table above includes loans and advances to customers in the amount of Euros 51,684,142,000 (31 December 2016: Euros: 51,758,453,000) and guarantees granted and commitments to third parties balance (see note 45), in the amount of Euros 4,492,250,000 (31 December 2016: Euros 4,836,045,000).

The balances Impairment and Impairment ('IBNR') were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 37), in the amount of Euros 127,213,000 (31 December 2016: Euros 128,056,000).

The analysis of the exposure covered by collateral associated with loans and advances to customers' portfolio, considering its fair value, is as follows:

	Jun 2017 Euros '000	**Dec 2016 Euros '000**
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	542,735	650,949
Residential real estate	459,714	498,915
Other real estate	1,366,206	1,385,860
Other guarantees	629,682	680,523
	2,998,337	3,216,247
Collective analysis		
Securities and other financial assets	19,865	23,271
Residential real estate	1,599,029	1,783,311
Other real estate	256,405	296,815
Other guarantees	88,396	107,704
	1,963,695	2,211,101
Loans and advances to customers without impairment		
Securities and other financial assets	2,156,629	2,178,216
Residential real estate	21,289,797	20,972,631
Other real estate	3,319,490	3,174,211
Other guarantees	3,673,188	3,725,116
	30,439,104	30,050,174
	35,401,136	35,477,522

The captions Other guarantees include debtors, assets subject to leasing transactions and personal guarantees, among others. Considering the policy of risk management of the Group (note 51), the amounts presented do not include the fair value of the personal guarantees provided by clients with lower risk rating. When considered, the fair value of the personal guarantees corresponds to the guaranteed amount.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of revaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices. Considering the current real estate and financial markets conditions, the Group continued to negotiate additional physical and financial collaterals with its customers.

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

	Jun 2017 Euros '000	**Dec 2016 Euros '000**
Amount of future minimum payments	3,893,116	3,810,114
Interest not yet due	(428,884)	(436,553)
Present value	3,464,232	3,373,561

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

	Jun 2017 Euros '000	**Dec 2016 Euros '000**
Individuals		
Home	85,215	76,577
Consumer	30,856	25,712
Others	120,284	125,693
	236,355	227,982
Companies		
Equipment	1,593,667	1,499,569
Real estate	1,634,210	1,646,010
	3,227,877	3,145,579
	3,464,232	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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Agriculture and forestry	21,898	23,330
Fisheries	12,651	12,996
Mining	4,890	140
Food, beverage and tobacco	1,276	1,326
Textiles	567	694
Wood and cork	3,978	2,832
Paper, printing and publishing	439	1,899
Chemicals	3,664	4,277
Machinery, equipment and basic metallurgical	20,526	16,156
Electricity and gas	531	270
Water	151	98
Construction	30,780	34,029
Retail business	68,040	8,529
Wholesale business	10,876	8,928
Restaurants and hotels	11,904	12,822
Transports	5,705	9,656
Post offices	29	28
Telecommunications	22,257	238
Services		
Financial intermediation	2,580	452
Real estate activities	11,032	6,760
Consulting, scientific and technical activities	3,223	1,866
Administrative and support services activities	1,820	721
Public sector	97,229	746
Education	237	540
Health and collective service activities	563	54
Artistic, sports and recreational activities	424	399
Other services	1,136	1,626
Consumer credit	120,337	113,151
Mortgage credit	109,753	102,303
Other international activities	9,395	11,524
	577,891	378,390

The restructured loans are subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment associated to these operations amounts to Euros 154,058,000 (31 December 2016: Euros 151,810,000).

The Group has implemented a process for marking operations restructured due to clients' financial difficulties. This marking is part of the credit analysis process, being in charge of the respective decision-making bodies, according to the corresponding competencies, established in the regulations in force.

Information on operations restructured due to financial difficulties is available in the Group's information systems, having a relevant role in the processes of credit analysis, in the marking of customers in default and in the process of determining impairment. In particular:

- There are several default triggers related to restructurings due to financial difficulties (restructuring with loss of value, recidivism of restructuring, unproductive credit, default on customers with restructured operations);
- in the process of individual impairment analysis, in addition to the existence of operations restructured due to financial difficulties, is a reason for customer selection, the loss inherent to the change in the conditions resulting from the restructuring is determined; With regard to collective analysis, and the existence of such operations leads to the integration of the client into a subpopulation with an aggravated impairment rate.

The demarcation of an operation can only take place at least 2 years after the date of marking, provided that a set of conditions exist that allow to conclude by the improvement of the financial condition of the client.

As mentioned in note 51, as at 30 June 2017, the total restructured loan amount to Euros 5,029,842,000 (31 December 2016: Euros 5,059,571,000).

The definition of Non Performing Loans for more than 90 days (NPL> 90) incorporates total credit (past due + outstanding) associated with past due operations for more than 90 days. As at 30 June 2017, the amount calculated is Euros 5,039,891,000 (31 December 2016: Euros 5,384,717,000).

The definition of Non-Performing Exposure (NPE) is as follows:

a) Total exposure of defaulted customers;
b) Total exposure of customers with signs of impairment;
c) Total exposure of customers whose value of operations overdue for more than 90 days represents more than 20% of their total on-balance sheet exposure;
d) Total exposure of non-retail customers with at least one overdue operation for more than 90 days;
e) Retail operations overdue for more than 90 days;
f) Operations restructured due to financial difficulties overdue for more than 30 days.

As at 30 June 2017, the NPE amounts to Euros 9,194,472,000 (31 December 2016: Euros 9,815,724,000).

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

	Jun 2017 Euros '000	Dec 2016 Euros '000
Agriculture and forestry	40,404	39,686
Fisheries	13,334	11,981
Mining	6,594	6,875
Food, beverage and tobacco	15,973	19,221
Textiles	26,217	26,075
Wood and cork	12,914	14,702
Paper, printing and publishing	6,785	10,010
Chemicals	64,486	66,517
Machinery, equipment and basic metallurgical	58,863	63,945
Electricity and gas	374	971
Water	3,862	3,884
Construction	852,567	826,013
Retail business	98,949	120,173
Wholesale business	135,432	153,696
Restaurants and hotels	98,438	117,557
Transports	34,186	72,317
Post offices	402	471
Telecommunications	104,812	106,998
Services		
Financial intermediation	640,442	565,769
Real estate activities	273,408	344,475
Consulting, scientific and technical activities	43,405	42,432
Administrative and support services activities	29,921	38,371
Public sector	683	979
Education	2,883	3,388
Health and collective service activities	3,323	4,491
Artistic, sports and recreational activities	14,866	15,811
Other services	265,710	16,304
Consumer credit	465,918	538,843
Mortgage credit	279,922	308,450
Other domestic activities	7,145	7,879
Other international activities	101,407	82,993
	3,703,625	3,631,277

The analysis of overdue loans, by type of credit, is as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Public sector	570	27
Asset-backed loans	2,060,358	1,832,217
Other guaranteed loans	332,711	443,626
Unsecured loans	1,020,175	1,053,539
Foreign loans	140,800	128,959
Factoring operations	25,753	23,588
Finance leases	123,258	149,321
	3,703,625	3,631,277

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

	Jun 2017 Euros '000	Jun 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	22	1,635
Impairment charge for the period	551,222	734,889
Write-back for the period	(236,336)	(92,538)
Loans charged-off	(453,156)	(287,629)
Exchange rate differences	15,563	(40,034)
Balance on 30 June	3,618,166	3,744,298

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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Agriculture and forestry	39,828	38,705
Fisheries	19,666	18,921
Mining	10,209	5,048
Food, beverage and tobacco	13,438	14,806
Textiles	24,684	26,595
Wood and cork	16,498	16,957
Paper, printing and publishing	12,144	14,694
Chemicals	60,436	55,849
Machinery, equipment and basic metallurgical	47,019	47,664
Electricity and gas	2,546	3,198
Water	12,306	9,937
Construction	646,891	614,394
Retail business	79,914	92,880
Wholesale business	117,987	127,132
Restaurants and hotels	105,675	113,459
Transports	35,773	119,507
Post offices	456	500
Telecommunications	18,548	19,591
Services		
Financial intermediation	1,027,850	1,052,162
Real estate activities	189,265	208,729
Consulting, scientific and technical activities	108,253	60,709
Administrative and support services activities	33,991	33,880
Public sector	3,783	3,584
Education	6,913	7,438
Health and collective service activities	4,289	4,617
Artistic, sports and recreational activities	88,587	89,892
Other services	100,768	50,564
Consumer credit	391,952	473,800
Mortgage credit	324,389	316,087
Other domestic activities	484	555
Other international activities	73,624	98,997
	3,618,166	3,740,851

The impairment for credit risk, by type of credit, is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Public sector	3,776	3,307
Asset-backed loans	2,320,964	2,296,551
Other guaranteed loans	427,988	460,856
Unsecured loans	577,859	652,206
Foreign loans	111,749	140,922
Factoring operations	34,959	30,789
Finance leases	140,871	156,220
	3,618,166	3,740,851

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

	Jun 2017 Euros '000	Jun 2016 Euros '000
Agriculture and forestry	1,642	6,366
Fisheries	242	-
Mining	803	135
Food, beverage and tobacco	3,323	588
Textiles	3,780	5,243
Wood and cork	1,459	421
Paper, printing and publishing	2,871	1,885
Chemicals	4,546	5,010
Machinery, equipment and basic metallurgical	8,849	6,149
Electricity and gas	20	40
Water	67	46
Construction	50,202	89,295
Retail business	24,176	21,399
Wholesale business	28,116	7,073
Restaurants and hotels	6,947	14,574
Transports	88,288	2,224
Post offices	118	21
Telecommunications	2,364	5,147
Services		
Financial intermediation	20,339	25,191
Real estate activities	32,359	22,996
Consulting, scientific and technical activities	3,624	9,452
Administrative and support services activities	6,556	1,630
Public sector	-	2
Education	526	56
Health and collective service activities	532	580
Artistic, sports and recreational activities	736	557
Other services	1,984	3,754
Consumer credit	133,631	47,131
Mortgage credit	7,851	9,014
Other domestic activities	13,530	244
Other international activities	3,675	1,406
	453,156	287,629

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, of recovering the loan amount and for collateralised loans, the charge-off occurs when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out by the utilization of impairment losses when they refer to 100% of the loans that are considered unrecoverable.

The analysis of loans charged-off, by type of credit, is as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Asset-backed loans	3,612	24,118
Other guaranteed loans	258	9,177
Unsecured loans	430,654	251,019
Factoring operations	1,500	-
Finance leases	17,132	3,315
	453,156	287,629

The analysis of recovered loans and interest, during the first semester of 2017 and 2016, by sector of activity, is as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Agriculture and forestry	49	33
Fisheries	42	-
Mining	-	182
Food, beverage and tobacco	179	72
Textiles	219	720
Wood and cork	214	162
Paper, printing and publishing	286	41
Chemicals	131	180
Machinery, equipment and basic metallurgical	177	93
Electricity and gas	-	13
Construction	2,170	15,741
Retail business	708	194
Wholesale business	1,947	714
Restaurants and hotels	107	61
Transports	355	27
Telecommunications	19	9
Services		
Financial intermediation	19	58
Real estate activities	147	537
Consulting, scientific and technical activities	63	158
Administrative and support services activities	285	9
Health and collective service activities	10	-
Artistic, sports and recreational activities	6	2,170
Other services	4	87
Consumer credit	2,672	2,250
Mortgage credit	2	36
Other domestic activities	10	77
Other international activities	75	47
	9,896	23,671

The analysis of recovered loans and interest during the first semester of 2017 and 2016, by type of credit, is as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Other guaranteed loans	1,387	198
Unsecured loans	8,289	23,300
Foreign loans	67	158
Factoring operations	74	3
Finance leases	79	12
	9,896	23,671

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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Bonds and other fixed income securities		
Issued by public entities	9,776,998	7,612,491
Issued by other entities	1,798,541	2,099,070
	11,575,539	9,711,561
Overdue securities	3,723	18,022
Impairment for overdue securities	(3,722)	(13,079)
	11,575,540	9,716,504
Shares and other variable income securities	1,175,858	1,226,456
	12,751,398	10,942,960
Trading derivatives	749,286	848,774
	13,500,684	11,791,734

The caption Bonds and other fixed income securities - issue by public entities includes the amount of Euros 279,614,000 referring to Mozambican sovereign debt (31 December 2016: Euros 126,395,000), according to note 55. In the last quarter of 2016, the Group reclassified part of the Mozambican government bonds portfolio in the amount of Euros 99,982,000 of available-for-sale financial assets to financial assets held to maturity.

The balance Trading derivatives includes the valuation of the embedded derivatives separated in accordance with the accounting policy 1 d) in the amount of Euros 30,000 (31 December 2016: Euros 195,000).

The portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale securities, net of impairment, as at 30 June 2017, is analysed as follows:

	Jun 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	10,545	141,973	4,091,508	4,244,026
Foreign issuers	134,232	-	3,678,916	3,813,148
Bonds issued by other entities				
Portuguese issuers	8,930	-	1,216,617	1,225,547
Foreign issuers	62,491	-	514,226	576,717
Treasury bills and other Government bonds				
Portuguese issuers	5,000	-	839,963	844,963
Foreign issuers	-	-	874,861	874,861
	221,198	141,973	11,216,091	11,579,262
Impairment for overdue securities	-	-	(3,722)	(3,722)
	221,198	141,973	11,212,369	11,575,540
Variable income:				
Shares in Portuguese companies	2,110	-	31,601	33,711
Shares in foreign companies	31	-	16,237	16,268
Investment fund units	967	-	1,124,526	1,125,493
Other securities	386	-	-	386
	3,494	-	1,172,364	1,175,858
Trading derivatives	749,286	-	-	749,286
	973,978	141,973	12,384,733	13,500,684
Level 1	228,298	141,973	10,187,522	10,557,793
Level 2	151,764	-	963,574	1,115,338
Level 3	593,916	-	1,233,637	1,827,553

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 June 2017, the fair value reserves are negative in the amount of Euros 65,231,000 (31 December 2016: negative amount of Euros 233,799,000).

As at 30 June 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 1,160,000 (31 December 2016: Euros 1,379,000) and Euros 118,000 (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
Level 1	194,943	146,664	8,239,244	8,580,851
Level 2	239,634	-	1,060,858	1,300,492
Level 3	614,220	-	1,296,171	1,910,391

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

	Jun 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	4,111,461	-	4,111,461	(149,459)	129,506	4,091,508
Foreign issuers	3,675,969	-	3,675,969	2,947	-	3,678,916
Bonds issued by other entities						
Portuguese issuers	1,249,677	(87,357)	1,162,320	53,815	(3,240)	1,212,895
Foreign issuers	507,767	(1,494)	506,273	8,658	(705)	514,226
Treasury bills and other Government bonds						
Portuguese issuers	840,211	-	840,211	(248)	-	839,963
Foreign issuers	875,027	-	875,027	(166)	-	874,861
	11,260,112	(88,851)	11,171,261	(84,453)	125,561	11,212,369
Variable income:						
Shares in Portuguese companies	93,981	(69,450)	24,531	7,070	-	31,601
Shares in foreign companies	14,968	(503)	14,465	1,772	-	16,237
Investment fund units	1,506,572	(392,426)	1,114,146	10,380	-	1,124,526
	1,615,521	(462,379)	1,153,142	19,222	-	1,172,364
	12,875,633	(551,230)	12,324,403	(65,231)	125,561	12,384,733

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 portfolio of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, net of impairment, as at 30 June 2017, by valuation levels, is analysed as follows:

	Jun 2017			
	Valuation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	4,115,773	128,253	-	4,244,026
Foreign issuers	3,770,729	-	42,419	3,813,148
Bonds issued by other entities				
Portuguese issuers	1,028,113	172,551	24,883	1,225,547
Foreign issuers	151,141	425,575	1	576,717
Treasury bills and other Government bonds				
Portuguese issuers	844,963	-	-	844,963
Foreign issuers	625,388	237,195	12,278	874,861
	10,536,107	963,574	79,581	11,579,262
Impairment for overdue securities	-	-	(3,722)	(3,722)
	10,536,107	963,574	75,859	11,575,540
Variable income:				
Shares in Portuguese companies	10,653	-	23,058	33,711
Shares in foreign companies	31	-	16,237	16,268
Investment fund units	52	-	1,125,441	1,125,493
Other securities	-	-	386	386
	10,736	-	1,165,122	1,175,858
Trading derivatives	10,950	151,764	586,572	749,286
	10,557,793	1,115,338	1,827,553	13,500,684

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

	Dec 2016			
	Valuation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Fixed income:				
Bonds issued by public entities				
Portuguese issuers	3,352,504	116,252	-	3,468,756
Foreign issuers	3,350,226	13	48,078	3,398,317
Bonds issued by other entities				
Portuguese issuers	1,076,804	179,121	49,773	1,305,698
Foreign issuers	120,704	690,690	-	811,394
Treasury bills and other Government bonds				
Portuguese issuers	654,928	-	-	654,928
Foreign issuers	-	78,316	12,174	90,490
	8,555,166	1,064,392	110,025	9,729,583
Impairment for overdue securities	-	-	(13,079)	(13,079)
	8,555,166	1,064,392	96,946	9,716,504
Variable income:				
Shares in Portuguese companies	19,428	-	22,988	42,416
Shares in foreign companies	25	-	13,292	13,317
Investment fund units	58	45	1,170,237	1,170,340
Other securities	-	-	383	383
	19,511	45	1,206,900	1,226,456
Trading derivatives	6,174	236,055	606,545	848,774
	8,580,851	1,300,492	1,910,391	11,791,734

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

During the first semester of 2017, were made reclassifications from level 2 to level 1 in the amount of Euros 37,899,000 (31 December 2016: Euros 7,202,000) related to securities that became complied with the requirements of this level, as described in note 47.

The variable income securities classified as level 3 includes units in restructuring funds (note 56) in the amount of Euros 1,067,752,000 (31 December 2016: Euros 1,113,482,000) which book value resulted from the last disclosure of the Net Asset Value (NAV) determined by the management company, which, as at 30 June 2017, corresponds to the NAV with reference to that date, except for Vega and Flit-Ptrel funds which reports to 31 December 2016 and 31 March 2017, respectively, after considering the effects of the last audited accounts for the respective funds. These funds have a diverse set of assets and liabilities, valued in their respective accounts at fair value through internal methodologies used by the management company. It is not practicable to present a sensitivity analysis of the different components of the underlying assumptions used by entities in the presentation of NAV, nevertheless it should be noted that a variation of + / - 10 % of the NAV has an impact of Euros 106,775,000 (31 December 2016: Euros 111,348,000) in Equity. This impact includes the effect on Fair value reserves of Euros 5,374,000 (31 December 2016: Euros 41,542,000) and in Net income for the period, of Euros 101,401,000 (31 December 2016: Euros 75,252,000).

The instruments classified as level 3 have associated net gains not performed in the amount of Euros 14,089,000 (31 December 2016: Euros 19,915,000) recorded in fair value reserves. The amount of impairment associated to these securities amounts to Euros 531,734,000 as at 30 June 2017 (31 December 2016: Euros 536,365,000).

The analysis of the impact of the reclassifications performed in prior periods until 30 June 2017, are analysed as follows:

	At the reclassification date		Jun 2017		
	Book value Euros '000	Fair value Euros '000	Book value Euros '000	Fair value Euros '000	Difference Euros '000
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	19,354	19,354	-
Financial assets held to maturity	2,144,892	2,144,892	187,781	178,415	(9,366)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	4,375	4,375	-
Financial assets held to maturity	695,020	695,020	173,567	179,496	5,929
	5,750,236	5,750,236	385,077	381,640	(3,437)

The amounts accounted in the income statement and in fair value reserves, as at 30 June 2017 related to financial assets reclassified in prior years, are analysed as follows:

	Net income for the period	Changes	
	Interests Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:			
Financial assets available for sale	297	1,644	1,941
Financial assets held to maturity	1,823	-	1,823
From Financial assets available for sale to:			
Loans represented by securities	62	-	62
Financial assets held to maturity	7,122	125	7,247
	9,304	1,769	11,073

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 30 June 2017, would be as follows:

	Net income for the period			
	Fair value changes Euros '000	Retained earnings Euros '000	Fair value reserves Euros '000	Equity Euros '000
From Financial assets held for trading to:				
Financial assets available for sale	1,644	(736)	(908)	-
Financial assets held to maturity	8,741	(18,107)	-	(9,366)
From Financial assets available for sale to:				
Financial assets held to maturity	-	-	5,929	5,929
	10,385	(18,843)	5,021	(3,437)

As at 31 December 2016, this reclassification is analysed as follows:

	At the reclassification date		Dec 2016		
	Book value Euros '000	**Fair value Euros '000**	**Book value Euros '000**	**Fair value Euros '000**	**Difference Euros '000**
From Financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	17,744	17,744	-
Financial assets held to maturity	2,144,892	2,144,892	237,513	219,406	(18,107)
From Financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	4,375	4,375	-
Financial assets held to maturity	796,411	796,411	175,309	181,728	6,419
	5,851,627	5,851,627	434,941	423,253	(11,688)

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2016, related to financial assets reclassified are analysed as follows:

	Net income for the period	Changes	
	Interest Euros '000	**Fair value reserves Euros '000**	**Equity Euros '000**
From Financial assets held for trading to:			
Financial assets available for sale	490	(791)	(301)
Financial assets held to maturity	4,907	-	4,907
From Financial assets available for sale to:			
Loans represented by securities	120	-	120
Financial assets held to maturity	3,262	252	3,514
	8,779	(539)	8,240

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2016, would be as follows:

	Net income for the period			
	Fair value changes Euros '000	**Retained earnings Euros '000**	**Fair value reserves Euros '000**	**Equity Euros '000**
From Financial assets held for trading to:				
Financial assets available for sale	(791)	55	736	-
Financial assets held to maturity	(11,716)	(6,391)	-	(18,107)
From Financial assets available for sale to:				
Financial assets held to maturity	-	-	6,419	6,419
	(12,507)	(6,336)	7,155	(11,688)

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

	Jun 2017 Euros '000	Jun 2016 Euros '000
Balance on 1 January	572,589	317,423
Transfers	210	(2)
Impairment against profit and loss	31,926	171,996
Amounts charged-off	(63,159)	(6,064)
Exchange rate differences	(77)	(46)
Other variations	9,741	1,475
Balance on 30 June	551,230	484,782

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgment in which the Group takes into consideration, among other factors, the volatility of the securities prices.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:
- Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
- Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by maturity, as at 30 June 2017 is as follows:

	Jun 2017					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	121,907	1,339,144	2,782,975	-	4,244,026
Foreign issuers	100,788	440,621	3,078,320	193,419	-	3,813,148
Bonds issued by other entities						
Portuguese issuers	4,334	66,132	893,494	257,864	3,723	1,225,547
Foreign issuers	355,029	26	74,682	146,980	-	576,717
Treasury bills and other						
Government bonds						
Portuguese issuers	140,304	704,659	-	-	-	844,963
Foreign issuers	199,669	665,338	8,863	991	-	874,861
	800,124	1,998,683	5,394,503	3,382,229	3,723	11,579,262
Impairment for overdue securities	-	-	-	-	(3,722)	(3,722)
	800,124	1,998,683	5,394,503	3,382,229	1	11,575,540
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	33,711	33,711
Foreign companies	-	-	-	-	16,268	16,268
Investment fund units	-	2,204	16,104	1,106,826	359	1,125,493
Other securities	-	-	-	386	-	386
	-	2,204	16,104	1,107,212	50,338	1,175,858
	800,124	2,000,887	5,410,607	4,489,441	50,339	12,751,398

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale, by maturity, as at 31 December 2016, is as follows:

	Dec 2016					
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Undetermined Euros '000	Total Euros '000
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	55,083	1,011,824	2,401,849	-	3,468,756
Foreign issuers	175,430	657,153	2,516,164	49,570	-	3,398,317
Bonds issued by other entities						
Portuguese issuers	-	73,238	989,532	224,906	18,022	1,305,698
Foreign issuers	605,332	94	67,210	138,758	-	811,394
Treasury bills and other Government bonds						
Portuguese issuers	98,638	556,290	-	-	-	654,928
Foreign issuers	10,183	70,752	8,605	950	-	90,490
	889,583	1,412,610	4,593,335	2,816,033	18,022	9,729,583
Impairment for overdue securities	-	-	-	-	(13,079)	(13,079)
	889,583	1,412,610	4,593,335	2,816,033	4,943	9,716,504
Variable income:						
Companies' shares						
Portuguese companies	-	-	-	-	42,416	42,416
Foreign companies	-	-	-	-	13,317	13,317
Investment fund units	-	1,889	16,590	1,151,405	456	1,170,340
Other securities	-	-	-	383	-	383
	-	1,889	16,590	1,151,788	56,189	1,226,456
	889,583	1,414,499	4,609,925	3,967,821	61,132	10,942,960

The analysis of Financial assets held for trading, Other financial assets held for trading at fair value through profit or loss and Financial assets available for sale by sector of activity as at 30 June 2017 is as follows:

	Jun 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	26,400	7	-	-	26,407
Machinery, equipment and basic metallurgical	-	8	-	-	8
Electricity and gas	8,838	-	-	-	8,838
Construction	-	4	-	2,395	2,399
Retail business	4,334	1,606	-	-	5,940
Wholesale business	-	1,048	-	126	1,174
Restaurants and hotels	-	46	-	-	46
Transports	701,886	766	-	-	702,652
Telecommunications	-	9,660	-	-	9,660
Services					
Financial intermediation	926,816	23,124	1,118,279	-	2,068,219
Consulting, scientific and technical activities	44	102	-	-	146
Administrative and support services activities	-	12,770	-	-	12,770
Health and collective service activities	113,541	-	-	-	113,541
Artistic, sports and recreational activities	16,683	16	-	-	16,699
Other services	-	801	7,214	1	8,016
Other international activities	-	9	386	-	395
	1,798,542	49,978	1,125,879	3,723	2,978,122
Government and Public securities	8,057,174	-	1,719,824	-	9,776,998
Impairment for overdue securities	-	-	-	(3,722)	(3,722)
	9,855,716	49,978	2,845,703	1	12,751,398

(*) The balance Other financial assets includes restructuring funds in the amount of Euros 1,067,752,000, which are classified in the sector of activity Services - Financial intermediation, but which have the core segment as disclosed in note 56.

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 56.

As referred 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. As at 30 June 2017, this caption included Euros 40,348,000 (31 December 2016: Euros 190,985,000) of securities included in the ECB's monetary policy pool.

The analysis of trading derivatives, by maturity, as at 30 June 2017, is as follows:

	Jun 2017					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities (note 36) Euros '000
Interest rate derivatives:						
OTC Market:						
Interest rate swaps	1,006,420	1,277,370	9,038,504	11,322,294	427,706	380,866
Interest rate options (purchase)	-	83,417	108,181	191,598	8	-
Interest rate options (sale)	-	-	108,181	108,181	-	593
Other interest rate contracts	-	10,692	132,447	143,139	1,067	2,855
	1,006,420	1,371,479	9,387,313	11,765,212	428,781	384,314
Stock Exchange transactions:						
Interest rate futures	37,891	35,078	-	72,969	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	298,611	173,458	17,964	490,033	8,728	9,408
Currency swaps	1,507,138	522,720	9,586	2,039,444	19,121	33,872
Currency options (purchase)	11,069	48,090	21,306	80,465	1,058	-
Currency options (sale)	10,816	48,090	21,306	80,212	-	1,004
	1,827,634	792,358	70,162	2,690,154	28,907	44,284
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	592,356	1,042,915	1,483,012	3,118,283	18,465	6,346
Shares/indexes options (purchase)	-	-	2,067	2,067	-	-
Others shares/indexes options (purchase)	-	-	16,864	16,864	14,616	-
Others shares/indexes options (sale)	-	-	16,864	16,864	-	-
	592,356	1,042,915	1,518,807	3,154,078	33,081	6,346
Stock exchange transactions:						
Shares futures	343,616	-	-	343,616	-	-
Shares/indexes options (purchase)	57,107	281,489	177,175	515,771	10,950	-
Shares/indexes options (sale)	10,155	6,786	2,909	19,850	-	496
	410,878	288,275	180,084	879,237	10,950	496
Commodity derivatives:						
Stock Exchange transactions:						
Commodities futures	90,975	84	213	91,272	-	-
	90,975	84	213	91,272	-	-
Credit derivatives:						
OTC Market:						
Credit default swaps	119,800	563,400	491,953	1,175,153	247,537	4,804
Other credit derivatives (sale)	-	-	48,338	48,338	-	-
	119,800	563,400	540,291	1,223,491	247,537	4,804
Total financial instruments traded in:						
OTC Market	3,546,210	3,770,152	11,516,573	18,832,935	738,306	439,748
Stock Exchange	539,744	323,437	180,297	1,043,478	10,950	496
Embedded derivatives					30	10,567
	4,085,954	4,093,589	11,696,870	19,876,413	749,286	450,811

The analysis of trading derivatives, by maturity, as at 31 December 2016, is as follows:

	Dec 2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities (note 36) Euros '000
Interest rate Derivatives:						
OTC Market:						
Interest rate swaps	389,419	1,397,333	9,786,013	11,572,765	519,817	477,010
Interest rate options (purchase)	2,267	92,472	108,888	203,627	29	-
Interest rate options (sale)	2,267	9,055	108,888	120,210	-	739
Other interest rate contracts	52,001	127,829	85,971	265,801	1,859	7,864
	445,954	1,626,689	10,089,760	12,162,403	521,705	485,613
Stock Exchange transactions:						
Interest rate futures	201,384	18,974	-	220,358	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	231,416	171,687	23,477	426,580	5,723	6,225
Currency swaps	2,684,852	384,258	3,846	3,072,956	41,058	7,512
Currency options (purchase)	41,232	39,571	42,798	123,601	3,149	-
Currency options (sale)	42,009	39,571	42,798	124,378	-	3,484
	2,999,509	635,087	112,919	3,747,515	49,930	17,221
Shares/indexes:						
OTC Market:						
Shares/indexes swaps	644,404	958,302	1,651,783	3,254,489	29,068	7,799
Shares/indexes options (sale)	-	-	-	-	-	-
Other shares/indexes options (purcha	-	-	16,864	16,864	13,671	-
Other shares/indexes options (sale)	-	-	16,864	16,864	-	-
	644,404	958,302	1,687,578	3,290,284	42,739	7,799
Stock Exchange transactions:						
Shares futures	249,929	-	-	249,929	-	-
Shares/indexes options (purchase)	109,678	196,064	213,652	519,394	6,174	-
Shares/indexes options (sale)	9,506	9,369	1,782	20,657	-	234
	369,113	205,433	215,434	789,980	6,174	234
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	76,397	-	-	76,397	-	-
Credit derivatives:						
OTC Market:						
Credit Default swaps	221,900	552,000	828,544	1,602,444	228,031	6,381
Other credit derivatives (sale)	-	-	55,881	55,881	-	-
	221,900	552,000	884,425	1,658,325	228,031	6,381
Total financial instruments traded in:						
OTC Market	4,311,767	3,772,078	12,774,682	20,858,527	842,405	517,014
Stock Exchange	646,894	224,407	215,434	1,086,735	6,174	234
Embedded derivatives					195	6,111
	4,958,661	3,996,485	12,990,116	21,945,262	848,774	523,359

24. Hedging derivatives

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

	Jun 2017		Dec 2016	
	Assets Euros '000	Liabilities Euros '000	Assets Euros '000	Liabilities Euros '000
Swaps	39,892	146,843	51,717	122,121
Others	73,968	142,449	5,321	261,871
	113,860	289,292	57,038	383,992

Hedging derivatives are measured in accordance with internal valuation techniques considering observable market inputs and, when not available, on information prepared by the Group by extrapolation of market data. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these derivatives are classified in level 2. The Group resources to derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

For the hedging relationships which comply with the hedging requirements of IAS 39, the Group adopts the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted at fixed rate and money market loans and deposits, securities and combined hedge of variable rate financial assets and fixed rate financial liabilities. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

During the first semester of 2017, the relationships that follow the fair value hedge model recorded ineffectiveness of a negative amount of Euros 1,784,000 (31 December 2016: positive amount of Euros 11,238,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness of a negative amount of Euros 2,281,000 (31 December 2016: negative amount of Euros 4,206,000).

During the first semester of 2017, reclassifications were made from fair value reserves to results, related to cash flow hedge relationships, in a positive amount of Euros 13,254,000 (31 December 2016: positive amount Euros 16,220,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

Hedged item	Jun 2017 Euros '000	Dec 2016 Euros '000
Loans	4,202	6,242
Deposits	13,904	6,341
Debt issued	(45,765)	(51,806)
	(27,659)	(39,223)

The analysis of hedging derivatives portfolio, by maturity, as at 30 June 2017, is as follows:

	Jun 2017					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	-	5,000	6,473,003	6,478,003	17,802	64,492
Others	425,000	225,000	-	650,000	-	39,367
	425,000	230,000	6,473,003	7,128,003	17,802	103,859
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	35,501	221,055	8,943,004	9,199,560	1,632	63,093
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swaps	205,856	139,239	-	345,095	14,363	-
Other currency contracts	237,622	1,016,793	2,498,243	3,752,658	73,968	103,082
	443,478	1,156,032	2,498,243	4,097,753	88,331	103,082
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	178,371	426,054	604,425	6,095	19,258
Total financial instruments						
Traded by:						
OTC Market	903,979	1,785,458	18,340,304	21,029,741	113,860	289,292

The analysis of hedging derivatives portfolio, by maturity, as at 31 December 2016, is as follows:

	Dec 2016					
	Notional (remaining term)				Fair value	
	Up to 3 months Euros '000	3 months to 1 year Euros '000	Over 1 year Euros '000	Total Euros '000	Assets Euros '000	Liabilities Euros '000
Fair value hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	341,100	-	6,548,576	6,889,676	27,168	90,865
Other	550,000	150,000	-	700,000	5,232	3,356
	891,100	150,000	6,548,576	7,589,676	32,400	94,221
Cash flow hedging derivatives related to interest rate risk changes:						
OTC Market:						
Interest rate swaps	77,092	158,719	6,677,312	6,913,123	3,963	29,273
Cash flow hedging derivatives related to currency risk changes:						
OTC Market:						
Currency swaps	93,356	141,393	-	234,749	2,375	1,931
Other currency contracts	771,735	974,062	2,538,745	4,284,542	89	258,515
	865,091	1,115,455	2,538,745	4,519,291	2,464	260,446
Hedging derivatives related to net investment in foreign operations:						
OTC Market:						
Currency and interest rate swap	-	178,371	358,768	537,139	18,211	52
Total financial instruments						
Traded by:						
OTC Market	1,833,283	1,602,545	16,123,401	19,559,229	57,038	383,992

25. Financial assets held to maturity

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

	Jun 2017 Euros '000	Dec 2016 Euros '000
Bonds and other fixed income securities		
Issued by public entities	150,248	152,119
Issued by other entities	301,006	359,062
	451,254	511,181

As at 30 June 2017, the balance Financial assets held to maturity includes the amount of Euros 187,781,000 (31 December 2016: Euros 237,513,000) related to non-derivatives financial assets (bonds) reclassified in previous years from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 30 June 2017, the balance Financial assets held to maturity also includes the amount of Euros 173,567,000 (31 December 2016: Euros 175,309,000) related to non-derivatives financial assets (bonds) reclassified in previous periods, from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

As at 30 June 2017, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
BTPS 4.5 PCT 08/01.08.2018 EUR	Italy	August, 2018	4.500%	50,000	50,790	53,550
OT 2014/2017 - 4ª Série	Mozambique	July, 2017	9.875%	2,912	2,949	2,962
OT 2014/2017 - 5ª Série	Mozambique	August, 2017	10.000%	2,912	2,931	2,931
OT 2014/2017 - 7ª Série	Mozambique	November, 2017	10.250%	4,863	4,753	4,753
OT 2014/2017 - 8ª Série	Mozambique	December, 2017	10.125%	2,402	2,394	2,687
OT 2015/2018 - 1ª Série	Mozambique	February, 2018	10.000%	2,958	2,726	2,697
OT 2015/2018 - 2ª Série	Mozambique	February, 2018	10.000%	13,354	12,304	12,150
OT 2015/2018 - 3ª Série	Mozambique	March, 2018	10%	8,912	8,211	8,103
OT 2015/2019 - 4ª Série	Mozambique	November, 2019	10.13%	6,792	5,914	5,815
OT 2015/2019 - 6ª Série	Mozambique	December, 2019	10.50%	29,523	27,064	26,383
OT 2016/2019 - 1ª Série	Mozambique	March, 2019	11.000%	4,600	4,191	4,073
OT 2016/2020 - 2ª Série	Mozambique	May, 2020	13%	4,537	4,176	4,128
OT 2013/2017 - 3ª Serie	Mozambique	September, 2017	10%	3,640	3,668	3,666
OT 2013/2017 - 4ª Serie	Mozambique	December, 2017	10%	1,456	1,447	1,447
OT 2014/2017 - 6ª Série	Mozambique	November, 2017	10.750%	8,735	8,844	8,847
OT 2014/2017 - 7ª Série	Mozambique	November, 2017	10.3%	3,873	3,893	3,893
OT 2015/2019 - 5ª Série	Mozambique	December, 2019	10.5%	4,473	3,993	4,041
					150,248	152,126
Issued by other entities						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	76,320	83,130
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0,005%	40,000	39,098	31,146
Stcp 00/05.06.2022 - 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M+0,0069%	100,000	98,825	94,651
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0,54%	42,631	42,635	42,388
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1,16%	26,300	26,310	25,033
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2,6%	17,800	17,818	14,184
					301,006	290,532
					451,254	442,658

As at 31 December 2016, the Financial assets held to maturity portfolio is analysed as follows:

Description	Country	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000	Fair value Euros '000
Issued by Government and public entities						
BTPS 4.5 Pct 08/01.08.2018 EUR	Italy	August, 2018	4.500%	50,000	50,728	54,623
OT 2013/2017 - 1ª Serie	Mozambique	April, 2017	7.500%	4,807	4,363	4,244
OT 2013/2017 - 3ª Serie	Mozambique	September, 2017	9.875%	3,320	3,414	3,414
OT 2013/2017 - 4ª Serie	Mozambique	December, 2017	9.875%	1,328	1,338	1,338
OT 2014/2017 - 1ª Série	Mozambique	October, 2017	9.875%	3,984	3,644	3,607
OT 2014/2017 - 2ª Série	Mozambique	November, 2017	9.875%	3,984	3,585	3,607
OT 2014/2017 - 3ª Serie	Mozambique	December, 2017	9.875%	2,656	2,593	2,587
OT 2014/2017 - 4ª Série	Mozambique	July, 2017	9.875%	2,656	2,662	2,660
OT 2014/2017 - 5ª Série	Mozambique	August, 2017	10.000%	2,656	2,551	2,535
OT 2014/2017 - 6ª Série	Mozambique	November, 2017	10.750%	7,967	8,100	8,100
OT 2014/2017 - 7ª Série	Mozambique	November, 2017	10.250%	7,079	6,754	6,718
OT 2014/2017 - 8ª Série	Mozambique	December, 2017	10.125%	2,191	2,102	2,092
OT 2015/2018 - 1ª Série	Mozambique	August, 2018	10.000%	2,698	2,346	2,326
OT 2015/2018 - 2ª Série	Mozambique	August, 2018	10.000%	12,180	10,592	10,501
OT 2015/2018 - 3ª Série	Mozambique	September, 2018	10.000%	8,128	7,069	7,008
OT 2015/2019 - 4ª Série	Mozambique	November, 2019	10.125%	6,195	5,141	5,104
OT 2015/2019 - 5ª Série	Mozambique	December, 2019	10.500%	4,080	4,037	4,037
OT 2015/2019 - 6ª Série	Mozambique	December, 2019	10.500%	26,927	23,773	23,646
OT 2016/2019 - 1ª Série	Mozambique	March, 2019	11.000%	4,195	3,644	3,615
OT 2016/2020 - 2ª Série	Mozambique	May, 2020	12.750%	4,138	3,683	3,667
					152,119	155,429
Issued by other entities						
CP Comboios Pt 09/16.10.2019	Portugal	October, 2019	4.170%	75,000	74,578	81,582
Edia SA 07/30.01.2027	Portugal	January, 2027	Euribor 6M+0,005%	40,000	39,052	27,675
STCP 00/05.06.2022- 100Mios Call Semest. a Partir 10Cpn-Min.10Mios	Portugal	June, 2022	Euribor 6M+0,0069%	100,000	98,709	87,636
Ayt Cedulas 07/21.03.2017	Spain	March, 2017	4.000%	50,000	51,527	51,974
Mbs Magellan M Series 1 Class A	Ireland	December, 2036	Euribor 3M+0,54%	51,062	51,067	50,399
Mbs Magellan M Series 1 Class B	Ireland	December, 2036	Euribor 3M+1,16%	26,300	26,310	24,339
Mbs Magellan M Series 1 Class C	Ireland	December, 2036	Euribor 3M+2,6%	17,800	17,819	14,185
					359,062	337,790
					511,181	493,219

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 30 June 2017 is as follows:

	Jun 2017				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	9,548	44,572	96,128	-	150,248
Bonds issued by other entities					
Portuguese issuers	-	-	175,145	39,098	214,243
Foreign issuers	-	-	-	86,763	86,763
	9,548	44,572	271,273	125,861	451,254

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2016 is as follows:

	Dec 2016				
	Up to 3 months Euros '000	3 months to 1 year Euros '000	1 year to 5 years Euros '000	Over 5 years Euros '000	Total Euros '000
Fixed income:					
Bonds issued by public entities					
Foreign issuers	-	41,106	111,013	-	152,119
Bonds issued by other entities					
Portuguese issuers	-	-	74,578	137,761	212,339
Foreign issuers	51,527	-	-	95,196	146,723
	51,527	41,106	185,591	232,957	511,181

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

	Jun 2017 Euros '000	Dec 2016 Euros '000
Transports and communications	175,145	173,287
Services		
Financial intermediation	86,763	146,723
Consulting, scientific and technical activities	39,098	39,052
	301,006	359,062
Government and Public securities	150,248	152,119
	451,254	511,181

As referred in note 51, as part of the management process of the liquidity risk, the Group holds a pool of eligible assets that can be used as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, in which are included fixed income securities. As at 30 June 2017, there is no securities included in the ECB's monetary policy (31 December 2016: Euros 51,447,000).

26. Investments in associated companies

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Portuguese credit institutions	31,213	46,271
Foreign credit institutions	242,742	253,478
Other Portuguese companies	309,058	277,454
Other foreign companies	21,998	21,663
	605,011	598,866
Impairment	(9,006)	-
	596,005	598,866

The balance Investments in associated companies is analysed as follows:

	Jun 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.	279,252	-	-	279,252	244,497
Banco Millennium Atlântico, S.A.	109,232	100,408	-	209,640	219,754
Unicre - Instituição Financeira de Crédito, S.A.	23,777	7,436	-	31,213	46,271
Banque BCP, S.A.S.	33,102	-	-	33,102	32,438
SIBS, S.G.P.S, S.A.	22,600	-	-	22,600	25,575
Webspectator Corporation	93	18,011	(9,006)	9,098	18,111
Mundotêxtil - Indústrias Têxteis, S.A.	6,626	-	-	6,626	6,854
Banque BCP (Luxembourg), S.A.	-	-	-	-	1,286
Others	4,474	-	-	4,474	4,080
	479,156	125,855	(9,006)	596,005	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 58.

The main indicators of the principal associated companies are analysed as follows:

	Country	% held	Total Assets Euros '000	Total Liabilities Euros '000	Total Income Euros '000	Net income for the period Euros '000
Jun 2017 (a)						
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	10,896,231	10,005,686	358,730	29,661
Banco Millennium Atlântico, S.A.	Angola	22.7	5,414,833	4,798,855	307,652	69,434
Unicre - Instituição Financeira de Crédito, S.A. (*)	Portugal	32.0	319,875	248,834	84,985	10,288
Banque BCP, S.A.S.	France	19.9	3,402,374	3,236,034	59,765	9,110
SIBS, S.G.P.S, S.A. (*)	Portugal	22.7	185,380	70,100	89,998	6,249
Dec 2016 (b)						
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Portugal	49.0	10,519,633	9,693,976	743,285	40,342
Banco Millennium Atlântico, S.A.	Angola	22.7	5,543,186	4,882,720	609,145	137,761
Unicre - Instituição Financeira de Crédito, S.A.	Portugal	32.0	339,037	255,619	209,070	60,545
Banque BCP, S.A.S.	France	19.9	3,217,286	3,054,283	118,315	15,015
SIBS, S.G.P.S, S.A.	Portugal	22.7	185,380	70,100	212,895	45,398
Banque BCP (Luxembourg), S.A.	Luxembourg	3.6	590,770	555,371	16,633	850

(*) - Provisional values
(a) - Non audited accounts
(b) - Audited accounts

According to the requirements defined in IFRS 12 and considering their relevance, we present in the following table the consolidated financial statements of Millenniumbcp Ageas Group, SGPS, S.A. and Banco Millennium Atlântico, S.A., prepared in accordance with IFRS, modified by the consolidation adjustments:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		**Banco Millennium Atlântico, S.A.**	
	Jun 2017 Euros '000	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Income	358,730	743,285	307,652	609,145
Net profit for the period	29,661	40,342	69,434	137,761
Comprehensive income	35,277	(9,087)	4,901	3,322
Total comprehensive income	64,938	31,255	74,335	141,083
Attributable to Shareholders of the associates	64,938	31,255	74,335	141,083
Comprehensive income (pre-acquisition)	-	-	-	(78,663)
Adjustments of intra-group transactions (reverse of the VOBA annual amortization (*)	6,041	12,792		
Attributable to Shareholders of the associates adjusted of intra-group transactions	70,979	44,047	74,335	62,420
Attributable to the BCP Group	34,780	21,583	16,745	14,061
Financial assets	10,510,203	10,124,342	4,789,377	4,866,955
Non-financial assets	386,028	395,291	625,456	676,231
Financial liabilities	(9,900,845)	(9,581,715)	(4,710,216)	(4,714,890)
Non-financial liabilities	(104,841)	(112,261)	(88,639)	(167,830)
Equity	890,545	825,657	615,978	660,466
Attributable to Shareholders of the associates	890,545	825,657	615,978	660,466
Adjustments of intra-group transactions (reverse of the VOBA total amortizations (*)	310,260	304,219		
Attributable to Shareholders of the associates adjusted of intra-group transactions	1,200,805	1,129,876	615,978	660,466
Attributable to the BCP Group	588,394	553,639	140,040	150,154
Reverse of the initial gain in 2004 allocated to the BCP Group	(309,142)	(309,142)	-	-
Goodwill of the merge			69,600	69,600
Attributable to the BCP Group adjusted of consolidation items	279,252	244,497	209,640	219,754

(*) - VOBA corresponds to the estimated current value of the future cash flows of the contracts in force at the date of acquisition. The value of the acquired business (VOBA) is recognized in the consolidated accounts of Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A. as intangible assets and is amortized over the period of recognition of the income associated with the policies acquired.

The movement of these investments is as follows:

	Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.		**Banco Millennium Atlântico, S.A.**	
	Jun 2017 Euros '000	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Ownership held by BCP on equity of the associates as at 1 January	244,497	222,914	219,754	-
Merger of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A.	-	-	-	205,140
Exchange differences	-	-	(12,234)	11,632
Other comprehensive income attributable to BCP	17,261	(4,453)	359	755
Dividends received	-	-	(14,011)	(10,031)
Appropriation by BCP of net income of the associates (*)	17,368	26,036	15,771	13,306
Other adjustments	126	-	1	(1,048)
Investment held at the end of the period	279,252	244,497	209,640	219,754

(*) - includes adjustments of intra-group transactions.

27. Non-current assets held for sale

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Gross value		
Real estate		
Assets arising from recovered loans results	1,844,818	1,798,040
Assets belong to investments funds and real estate companies	475,709	529,261
Assets for own use (closed branches)	72,259	77,323
Equipment and other	31,472	31,577
Other assets	34,849	41,537
	2,459,107	2,477,738
Impairment		
Real estate		
Assets arising from recovered loans results	(200,155)	(203,020)
Assets belong to investments funds and real estate companies	(16,769)	(7,277)
Assets for own use (closed branches)	(8,463)	(7,106)
Equipment and other	(9,753)	(10,176)
	(235,140)	(227,579)
	2,223,967	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 74,207,000 (31 December 2016: Euros 92,682,000), which impairment associated is Euros 9,403,000 (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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Balance on 1 January	227,579	265,170
Transfers	-	(13,788)
Impairment for the period	40,162	9,135
Write-back for the period	(137)	(339)
Amounts charged-off	(33,143)	(33,475)
Exchange rate differences	679	(1,042)
Balance on 30 June	235,140	225,661

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.

The rents received related to these assets amounted to Euros 251,000 (31 December 2016: Euros 1,001,000), and the maintenance expenses related to rented or not rented real estate, amount to Euros 133,000 (31 December 2016: Euros 375,000).

29. Other tangible assets

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Gross value		
Land and buildings	838,340	841,497
Equipment		
Furniture	83,724	82,947
Machinery	44,922	44,642
Computer equipment	292,901	286,268
Interior installations	139,001	136,563
Motor vehicles	30,675	24,857
Security equipment	71,696	71,391
Other equipment	30,439	29,696
Work in progress	18,715	16,532
Other tangible assets	235	219
	1,550,648	1,534,612
Accumulated depreciation		
Charge for the period (note 11)	(20,526)	(39,100)
Charge for the previous periods	(1,042,697)	(1,021,646)
	(1,063,223)	(1,060,746)
	487,425	473,866

30. Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Intangible assets		
Gross value		
Software	105,089	101,739
Other intangible assets	56,057	52,509
	161,146	154,248
Accumulated amortization		
Charge for the period (note 11)	(5,593)	(10,724)
Charge for the previous periods	(121,218)	(111,349)
	(126,811)	(122,073)
	34,335	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	21,181	31,354
	187,487	197,660
Impairment		
Real estate and mortgage credit	(40,859)	(40,859)
Others	(16,670)	(26,870)
	(57,529)	(67,729)
	129,958	129,931
	164,293	162,106

According to the accounting policy described in note 1 b), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value.

In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2016, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each cash generating unit;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

There were not identified in the first semester of 2017, any factors that indicates the deterioration in these investments' amount.

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

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2021. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2017 to 2021, considering, along this period, a compound annual growth rate of 4.9% for Total Assets and of 8.8% for Total Equity, while considering a ROE evolution from 8.0% in 2017 to 9.6% by the end of the period.

The exchange rate EUR/PLN considered was 4.4047 at the end of 2016 (December 2016 average: 4.4322).

The Cost of Equity considered was 9.50% for the period 2017-2021 and in perpetuity. The annual growth rate in perpetuity (g) was 3.1%.

Real estate and mortgage credit

Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee for real estate business and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion.

The Real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios booked in Banco Comercial Português.

The business plan and estimates for Real estate and mortgage business comprises a five-year period, from 2017 to 2021, considering, along this period, an average annual decrease rate of -8.1% for total assets and of 0.5% for the allocated capital. As a consequence of the impairment test made, it was recognised during 2016 an impairment loss of Euros 40,859,000 corresponding to 100.0% of the goodwill associated.

31. Income Tax

Deferred income tax assets and liabilities, are analysed as follows:

	Jun 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	922,771	-	922,771	927,675	-	927,675
Employee benefits	762,114	-	762,114	789,000	-	789,000
	1,684,885	-	1,684,885	1,716,675	-	1,716,675
Deferred taxes depending on the future profits						
Impairment losses	968,012	50,303	917,709	928,645	50,303	878,342
Tax losses carried forward	494,098	-	494,098	494,785	-	494,785
Employee benefits	37,701	2,673	35,028	60,083	27,248	32,835
Financial assets available for sale	29,475	7,285	22,190	60,828	5,458	55,370
Derivatives	-	7,305	(7,305)	-	7,444	(7,444)
Intangible assets	39	-	39	39	-	39
Other tangible assets	10,287	3,369	6,918	8,289	3,547	4,742
Others	27,177	16,931	10,246	34,258	27,366	6,892
	1,566,789	87,866	1,478,923	1,586,927	121,366	1,465,561
Total deferred taxes	3,251,674	87,866	3,163,808	3,303,602	121,366	3,182,236
Offset between deferred tax assets and deferred tax liabilities	(86,231)	(86,231)	-	(118,677)	(118,677)	-
Net deferred taxes	3,165,443	1,635	3,163,808	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	Jun 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 June 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:

	Jun 2017	Dec 2016
Maturity	**Euros '000**	**Euros '000**
2018	3,320	4,069
2019-2025	65	4
2026	212,833	201,812
2028 and following	277,880	288,900
	494,098	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 June 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 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 June 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 June 2017.

It is present the sensitivity of the analysis of the recoverability of deferred tax assets to the estimate of income before income taxes: If there was a 5% reduction in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have a reduction of about Euros 73 million; If there was a 5% increase in estimated income before income taxes in all years of projections from 2017 to 2028, the deferred tax assets would have an increase of about Euros 73 million.

In accordance with this assessment, the amount of unrecognized deferred tax, by year of expiration, is as follows:

Tax losses carried forward	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
2017	2,418	2,453
2018	1,595	1,594
2019-2025	852	3
2026	912	917
2027 and following	242,123	172,552
	247,900	177,519

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

	Jun 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	(7,163)	2,259	-
Employee benefits	(26,199)	(687)	-
	(33,362)	1,572	-
Deferred taxes depending on the future profits			
Impairment losses	40,699	(2,259)	927
Tax losses carried forward	(8,749)	7,651	411
Employee benefits	7,297	(4,851)	(253)
Financial assets available for sale	-	(32,644)	(536)
Derivatives	461	-	(322)
Other tangible assets	2,123	-	53
Others	2,640	-	714
	44,471	(32,103)	994
	11,109	(30,531)	994
Current taxes			
Actual period	(55,945)	12	-
Correction of previous periods	1,397	-	-
	(54,548)	12	-
	(43,439)	(30,519)	994

(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 June 2016, is analysed as follows:

	Jun 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	380,439	(418,125)	-	-
Employee benefits	20,546	1,654	-	-
	400,985	(416,471)	-	-
Deferred taxes depending on the future profits				
Impairment losses	(402,995)	439,171	(2,921)	13,683
Tax losses carried forward	111,520	2,034	(52)	-
Employee benefits	2,252	22,102	699	-
Financial assets available for sale	-	30,794	(5,280)	-
Derivatives	845	-	(686)	-
Other tangible assets	262	-	(58)	-
Others	21,879	-	1,732	(511)
	(266,237)	494,101	(6,566)	13,172
	134,748	77,630	(6,566)	13,172
Current taxes				
Actual period	(56,996)	147	-	2
Correction of previous periods	549	(62)	-	-
	(56,447)	85	-	2
	78,301	77,715	(6,566)	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:

	Jun 2017 Euros '000	**Jun 2016 Euros '000**
Net income / (loss) before income taxes	183,304	(241,262)
Current tax rate (%)	29.5%	29.5%
Expected tax	(54,075)	71,172
Non-deductible impairment	(7,761)	(10,844)
Contribution to the banking setor	(13,335)	(7,322)
Results of companies consolidated by the equity method	10,356	11,126
Other accruals for the purpose of calculating the taxable incom	(5,227)	(7,888)
Employees' benefits	15,661	-
Effect of difference of rate tax and deferred tax not recognised previously	8,468	11,761
Correction of previous periods	2,779	11,080
(Autonomous tax) / tax credits	(305)	(784)
Total	(43,439)	78,301
Effective rate	23.7%	32.5%

32. Other assets

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Deposit account applications	295,208	280,675
Associated companies	939	6,247
Subsidies receivables	7,661	5,084
Prepaid expenses	36,822	31,662
Debtors for futures and options transactions	50,207	49,422
Debtors		
Residents		
Insurance activity	5,017	4,386
Advances to suppliers	1,206	1,663
SIBS	6,889	6,340
Prosecution cases / agreements with the Bank	11,317	11,481
Receivables from real estate, transfers of assets and other securities	48,224	55,693
Others	90,866	81,432
Non-residents	31,263	26,014
Receivable dividends	-	18,063
Interest and other amounts receivable	44,366	47,763
Amounts receivable on trading activity	69,993	37,223
Gold and other precious metals	3,597	3,635
Other financial investments	6,304	20,426
Other recoverable tax	24,152	24,558
Artistic patrimony	28,853	28,811
Capital supplementary contributions	8,010	7,648
Reinsurance technical provision	18,362	11,999
Obligations with post-employment benefits (note 48)	130,112	31,681
Capital supplies	217,742	214,810
Amounts due for collection	32,024	29,618
Amounts due from customers	198,923	227,376
Sundry assets	107,309	91,493
	1,475,366	1,355,203
Impairment for other assets	(294,076)	(267,389)
	1,181,290	1,087,814

As referred in note 56, the balance Capital supplies includes the amount of Euros 216,345,000 (31 December 2016: Euros 213,464,000) and the balance Capital supplementary contributions includes the amount of Euros 2,939,000 (31 December 2016: Euros 2,939,000), arising from the transfers of assets to Specialized recovery funds which have impairment in the same amount. The impairment with impact on results in the first semester of 2017 related to these operations amounted to Euros 2,880,000 (30 June 2016: Euros 3,022,000).

As at 30 June 2017, the caption Deposit account applications includes the amount of Euros 240,004,000 (31 December 2016: Euros 228,949,000) on the Clearing houses / Clearing derivatives.

The caption Amounts receivable on trading activity includes amounts receivable within 3 business days of stock exchange operations.

Considering the nature of these transactions and the age of the amounts of these items, the Group's procedure is to periodically assess the collectability of these amounts and whenever impairment is identified, an impairment loss is recognised in the income statement.

The changes occurred in impairment for other assets are analysed as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Balance on 1 January	267,389	240,943
Other transfers	7,429	22,472
Impairment for the period	21,860	5,327
Write back for the period	(618)	(152)
Amounts charged-off	(2,132)	(120)
Exchange rate differences	148	(351)
Balance on 30 June	294,076	268,119

33. Resources from credit institutions

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Resources and other financing from Central Banks		
Bank of Portugal	3,976,226	4,851,574
Central Banks abroad	196,782	300,098
	4,173,008	5,151,672
Resources from credit institutions in Portugal		
Sight deposits	82,873	126,260
Term Deposits	132,106	428,861
Loans obtained	-	2,978
Other resources	3,679	1,240
	218,658	559,339
Resources from credit institutions abroad		
Very short-term deposits	1,077	11
Sight deposits	131,990	151,516
Term Deposits	331,546	240,712
Loans obtained	1,431,113	1,450,724
Sales operations with repurchase agreement	3,075,864	2,317,772
Other resources	9,925	66,649
	4,981,515	4,227,384
	9,373,181	9,938,395

The caption Resources from credit institutions abroad includes, under the scope of transactions involving derivative financial instruments (IRS and CIRS) with institutional counterparties, and in accordance with the terms of their respective agreements ("Cash collateral"), the amount of Euros 74,368,000 (31 December 2016: Euros 66,485,000). These deposits are held by the Group and are reported as collateral for the referred operations (IRS and CIRS), whose revaluation is positive.

The caption Resources from credit institutions - Resources from credit institutions abroad - Sales operations with repurchase agreement, corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

34. Resources from customers and other loans

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Deposits from customers:		
Repayable on demand	24,200,240	22,017,099
Term deposits	20,161,866	20,459,067
Saving accounts	3,007,022	2,841,677
Deposits at fair value through profit and loss	2,835,451	2,985,741
Treasury bills and other assets sold		
under repurchase agreement	110,441	137,707
Cheques and orders to pay	308,808	320,159
Others	11,921	36,197
	50,635,749	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 caption Deposits from customers - Deposits at fair value through profit and loss is measured at fair value in accordance with internal valuation techniques considering mainly observable internal inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13 these instruments are classified in level 3 (note 47). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d) and was recognised in the first semester of 2017 a loss of Euros 227,000 (31 December 2016: gain of Euros 3,239,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal amount of the caption Deposits from customers - Deposits at fair value through profit and loss amounts to, as at 30 June 2017, Euros 2,835,203,000 (31 December 2016: Euros 2,992,567,000).

35. Debt securities issued

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Debt securities at amortized cost		
Bonds	877,292	967,289
Covered bonds	992,063	926,793
MTNs	25,592	415,460
Securitizations	361,454	382,412
	2,256,401	2,691,954
Accruals	3,164	35,202
	2,259,565	2,727,156
Debt securities at fair value through profit and loss		
Bonds	25,201	38,709
MTNs	158,445	157,873
	183,646	196,582
Accruals	340	3,566
	183,986	200,148
Certificates at fair value through profit and loss	677,874	585,516
	3,121,425	3,512,820

The securities in caption Debt securities at fair value through profit and loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are classified in level 2 (note 47). These financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 June 2017, a gain in the amount of Euros 392,000 was recognised (31 December 2016: loss of Euros 1,368,000) related to the fair value changes resulting from variations in the credit risk of the Group, as referred in note 6.

The nominal value of the balance Debt securities at fair value through profit and loss includes, as at 30 June 2017, the amount of Euros 163,940,000 (31 December 2016: Euros 177,890,000).

36. Financial liabilities held for trading

The balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Short selling securities	25,381	24,228
Trading derivatives (note 23):		
Swaps	425,888	498,702
Options	2,093	4,457
Embedded derivatives	10,567	6,111
Forwards	9,408	6,225
Others	2,855	7,864
	450,811	523,359
	476,192	547,587
Level 1	496	234
Level 2	394,263	459,309
Level 3	81,433	88,044

As referred in IFRS 13, financial instruments are measured according to the levels of valuation described in note 47.

The balance Financial liabilities held for trading includes, as at 30 June 2017, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 10,567,000 (31 December 2016: Euros 6,111,000). This note should be analysed together with note 23.

37. Provisions

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Provision for guarantees and other commitments (note 22)	127,213	128,056
Technical provision for the insurance activity		
For direct insurance and reinsurance accepted		
Unearned premium	11,551	10,490
Life insurance	36,812	34,751
For participation in profit and loss	2,828	431
Other technical provisions	23,424	15,816
Other provisions for liabilities and charges	137,268	131,506
	339,096	321,050

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

	Jun 2017 Euros '000	Jun 2016 Euros '000
Balance on 1 January	128,056	74,710
Transfers resulting from changes in the Group's structure	-	(930)
Other transfers	-	102
Charge for the period	8,286	14,384
Write-back for the period	(9,433)	(4,167)
Exchange rate differences	304	(1,886)
Balance on 30 June	127,213	82,213

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

	Jun 2017 Euros '000	Jun 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	(572)	13,696
Charge for the period	9,748	7,083
Write-back for the period	(492)	(7,828)
Amounts charged-off	(3,426)	(3,334)
Exchange rate differences	501	(1,666)
Balance on 30 June	137,268	142,980

The Other provisions for liabilities and charges were based on the probability of occurrence of certain contingencies related to risks inherent to the Group's activity, being reviewed at each reporting date to reflect the best estimate of the amount and respective probability of payment. This caption includes provisions for contingencies in the sale of Millennium Bank (Greece), lawsuits, fraud and tax contingencies. The provisions constituted to cover tax contingencies totalled Euros 57,260,000 (31 December 2016: Euros 49,016,000) and are associated, essentially, to contingencies related to VAT and Stamp Duty.

38. Subordinated debt

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Bonds		
Non Perpetual	810,035	804,547
Perpetual	27,147	28,955
CoCos	-	703,421
	837,182	1,536,923
Accruals	13,421	7,632
	850,603	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 June 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	7,709
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018 (ii)	See reference (viii)	14,887	14,887	2,356
Bcp Ob Sub Jun 2020 - Emtn 727	June, 2010	June, 2020 (iii)	See reference (ix)	14,791	14,791	2,949
Bcp Ob Sub Aug 2020 - Emtn 739	August, 2010	August, 2020 (iv)	See reference (x)	9,278	9,278	1,222
Bcp Ob Sub Mar 2021 - Emtn 804	March, 2011	March, 2021	Euribor 3M + 3.75%	114,000	114,000	85,373
Bcp Ob Sub Apr 2021 - Emtn 809	April, 2011	April, 2021	Euribor 3M + 3.75%	64,100	64,100	48,111
Bcp Ob Sub 3S Apr 2021 - Emtn 812	April, 2011	April, 2021	Euribor 3M + 3.75%	35,000	35,000	26,658
Bcp Sub 11/25.08.2019 - Emtn 823	August, 2011	August, 2019	Fixed rate 6.383%	7,500	7,916	3,229
Bcp Subord Sep 2019 - Emtn 826	October, 2011	September, 2019	Fixed rate 9.31%	50,000	54,527	22,444
Bcp Subord Nov 2019 - Emtn 830	November, 2011	November, 2019	Fixed rate 8.519%	40,000	43,443	18,844
Mbcp Subord Dec 2019 - Emtn 833	December, 2011	December, 2019	Fixed rate 7.15%	26,600	29,045	12,990
Mbcp Subord Jan 2020 - Emtn 834	January, 2012	January, 2020	Fixed rate 7.01%	14,000	14,977	7,101
Mbcp Subord Feb 2020 - Vm Sr. 173	April, 2012	February, 2020	Fixed rate 9%	23,000	24,181	12,241
Bcp Subord Apr 2020 - Vm Sr 187	April, 2012	April, 2020	Fixed rate 9.15%	51,000	53,350	28,135
Bcp Subord 2 Serie Apr 2020 - Vm 194	April, 2012	April, 2020	Fixed rate 9%	25,000	26,092	13,917
Bcp Subordinadas Jul 20-Emtn 844	July, 2012	July, 2020	Fixed rate 9%	26,250	26,860	15,779
Bank Millennium:						
MB Finance AB	December, 2007	December, 2017	Euribor 6M + 2%	150,046	150,046	14,171
BCP Finance Bank:						
BCP Fin Bank Ltd EMTN - 828	October, 2011	October, 2021	Fixed rate 13%	94,274	75,053	19,555
Magellan No. 3:						
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058	-	44	44	-
					810,035	342,784
Perpetual Bonds						
Obrigações Caixa Perpétuas Subord 2002/19jun2012	June, 2002	See reference (v)	See reference (xi)	85	68	-
TOPS BPSM 1997	December, 1997	See reference (vi)	Euribor 6M + 0,9%	22,035	22,093	22,017
BCP Leasing 2001	December, 2001	See reference (vii)	Euribor 3M + 2,25%	4,986	4,986	4,986
					27,147	27,003
Accruals					13,421	-
					850,603	369,787

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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Creditors:		
Suppliers	33,373	28,430
From factoring operations	15,030	13,717
Deposit account applications and others applications	86,723	23,615
Associated companies	2	108
For futures and options transactions	6,911	6,517
For direct insurance and reinsurance operations	8,374	9,853
Obligations not covered by the Group Pension Fund - amounts payable by the Group	31,859	47,989
Other creditors		
Residents	32,651	51,241
Non-residents	29,625	36,573
Negative equity in associated companies		
Luanda Waterfront Corporation	13,340	9,473
Nanium, S.A.	-	2,367
Holiday pay and subsidies	57,114	50,910
Interests and other amounts payable	27,991	65,147
Operations to be settled - foreign, transfers and deposits	239,307	301,696
Amounts payable on trading activity	45,517	803
Other administrative costs payable	2,471	2,856
Deferred income	66,248	10,930
Loans insurance received and to amortized	52,974	52,164
Public sector	45,162	32,643
Other liabilities	187,269	168,496
	981,941	915,528

The caption Obligations not covered by the Group Pension Fund - amounts payable by the Group includes the amount of Euros 9,741,000 (31 December 2016: Euros 17,818,000) related to the actual value of benefits attributed associated with mortgage loans to employees, retirees and former employees and the amount of Euros 3,837,000 (31 December 2016: Euros 3,837,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors, as referred in note 48. This balance also includes the amount of Euros 14,000,000 regarding to restructuration costs. These obligations are not covered by the Group Pension Fund and therefore, correspond to amounts payable by the Group.

As at 31 December 2016, this caption also included the amount of Euros 21,337,000 related to the seniority premium.

The caption Amounts payable on trading activity includes amounts payable within 3 business days of stock exchange operations.

40. Share capital, preference shares and other equity instruments

The Bank's share capital, as at 30 June 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.

As at 30 June 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.

As at 30 June 2017, the shareholders who hold individually or jointly 2% or more of the capital of the Bank, are the following:

Shareholder	number of shares	% share capital	% voting rights
Fosun Group - Chiado (Luxembourg) S.a.r.l.	3,738,412,411	24.73%	24.73%
Sonangol Group - Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	2,303,640,891	15.24%	15.24%
Grupo EDP - EDP Pension Fund (*)	319,113,690	2.11%	2.11%
Norges Bank, directly	327,405,240	2.17%	2.17%
BlackRock, Inc.**	307,981,328	2.04%	2.04%
Total Qualified Shareholdings	6,996,553,560	46.29%	46.29%

(*) Imputation in accordance with paragraph f) of paragraph 1 of Article 20 of the Portuguese Securities Code.
** According to the press release of 5 April 2017

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 June 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.

As at 30 June 2017, the amount of Statutory reserves amounts to Euros 30,000,000 (31 December 2016: Euros 30,000,000) and corresponds to a reserve to steady dividends that, according to the bank’s by-laws, can be distributed.

42. Treasury shares

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares		Other treasury stock	Total
Jun 2017				
Net book value (Euros '000)	76		203	279
Number of securities	323,774	(*)		
Average book value (Euros)	0.23			
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 June 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 323,774 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.

Regarding treasury shares owned by associated companies of the BCP Group, as referred in note 49, as at 30 June 2017, the Millenniumbcp Ageas Group owned 142,601,002 BCP shares (31 December 2016: 8,694,500 shares) in the amount of Euros 33,597,000 (31 December 2016: Euros 9,312,000).

43. Fair value reserves and reserves and retained earnings

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Fair value reserves		
Gross value		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	(65,231)	(233,799)
Financial assets held to maturity (*)	(4,589)	(6,517)
Of associated companies and others	19,667	3,568
Cash-flow hedge	9,793	56,842
	(40,360)	(179,906)
Tax		
Financial assets available for sale		
Potential gains and losses recognised in fair value reserves	21,678	67,936
Financial assets held to maturity	170	207
Cash-flow hedge	(4,750)	(18,869)
	17,098	49,274
	(23,262)	(130,632)
Reserves and retained earnings		
Exchange differences arising on consolidation:		
Bank Millennium, S.A.	(20,342)	(33,196)
BIM - Banco Internacional de Moçambique, S.A.	(146,045)	(166,996)
Others	4,471	15,873
	(161,916)	(184,319)
Actuarial losses	(2,535,593)	(2,575,656)
Other reserves and retained earnings	2,646,195	2,657,669
	(51,314)	(102,306)

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

The fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during the first semester of 2017, are analysed as follows:

	2017				
	Balance on 1 January Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 30 June Euros '000
Millenniumbcp Ageas	(976)	17,261	-	-	16,285
Portuguese public debt securities	(295,433)	149,003	-	(3,277)	(149,707)
Visa Inc.	644	863	-	-	1,507
Other investments	59,017	18,850	31,926	(28,031)	81,762
	(236,748)	185,977	31,926	(31,308)	(50,153)

The changes occurred in Fair value reserves, excluding the effect of hedge accounting, during 2016, are analysed as follows:

	2016				
	Balance on 1 January Euros '000	Fair value adjustment Euros '000	Impairment in profit and loss Euros '000	Sales Euros '000	Balance on 31 December Euros '000
Millenniumbcp Ageas	3,270	(4,246)	-	-	(976)
Portuguese public debt securities	(116,939)	(168,491)	-	(10,003)	(295,433)
Visa Europe Limited.	43,312	18,036	-	(61,348)	-
Visa Inc.	-	644	-	-	644
Other investments	123,742	(308,469)	274,419	(30,675)	59,017
	53,385	(462,526)	274,419	(102,026)	(236,748)

44. Non-controlling interests

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Exchange differences arising on consolidation	(95,254)	(141,617)
Deferred taxes	2,775	4,900
Actuarial losses (net of taxes)	(1,069)	(1,069)
Fair value reserves	(16,515)	(28,653)
	(110,063)	(166,439)
Other reserves and retained earnings	1,107,855	1,049,504
	997,792	883,065

The balance Non-controlling interests is analysed as follows:

	Balance Sheet		Income Statement	
	Jun 2017 Euros '000	Dec 2016 Euros '000	Jun 2017 Euros '000	Jun 2016 Euros '000
From continuing operations				
Bank Millennium, S.A.	866,834	785,357	36,789	49,110
BIM - Banco Internacional de Moçambique, SA (*)	124,217	106,377	14,628	12,761
Other subsidiaries	6,741	(8,669)	(230)	(720)
	997,792	883,065	51,187	61,151
From discontinued or discontinuing operations				
Banco Millennium Angola, S.A.	-	-	-	18,366
	997,792	883,065	51,187	79,517

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

The main subsidiaries included in the balance Non-controlling interests are as follows:

Name	Head office	Segment	% held of Non-controlling interests Jun 2017	% held of Non-controlling interests Dec 2016
Bank Millennium, S.A.	Warsaw	Bank	49.9%	49.9%
BIM - Banco Internacional de Moçambique, S.A.	Maputo	Bank	33.3%	33.3%

The following table presents a summary of financial information for the above institutions, prepared in accordance with IFRS. The information is presented before inter-company eliminations:

	Bank Millennium, S.A.		BIM - Banco Internacional de Moçambique, S.A.	
	Jun 2017 Euros '000	Jun 2016 Euros '000	Jun 2017 Euros '000	Jun 2016 Euros '000
Income	301,954	423,028	181,032	154,324
Net profit for the period	73,725	98,417	42,769	36,762
Net profit for the period attributable to the shareholders	36,936	49,307	28,521	24,515
Net profit for the period attributable to non-controlling interests	36,789	49,110	14,248	12,247
Other comprehensive income attributable to the shareholders	(9,095)	(17,189)	(1,878)	(17)
Other comprehensive income attributable to non-controlling interests	(9,059)	(17,120)	(938)	(8)
Total comprehensive income	55,571	64,108	39,953	36,737

	Bank Millennium, S.A.		BIM - Banco Internacional de Moçambique, S.A.	
	Jun 2017 Euros '000	Dec 2016 Euros '000	Jun 2017 Euros '000	Dec 2016 Euros '000
Financial assets	16,215,901	15,384,246	1,885,272	1,709,588
Non-financial assets	228,201	211,494	160,776	128,229
Financial liabilities	(14,432,111)	(13,741,008)	(1,545,669)	(1,402,163)
Non-financial liabilities	(274,849)	(280,870)	(133,945)	(123,526)
Equity	1,737,142	1,573,862	366,434	312,128
Equity attributed to the shareholders	870,308	788,505	244,358	208,144
Equity attributed to the non-controlling interests	866,834	785,357	122,076	103,984
Cash flows arising from:				
operating activities	222,953	655,612	42,492	6,516
investing activities	(356,029)	(991,754)	(3,550)	(11,357)
financing activities	(67,977)	3,019	(47,913)	8,703
Net increase / (decrease) in cash and equivalents	(201,053)	(333,123)	(8,971)	3,862
Dividends paid during the period:				
attributed to the shareholders	-	-	14,717	12,359
attributed to the non-controlling interests	-	-	7,352	6,174
	-	-	22,069	18,533

45. Guarantees and other commitments

This balance is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Guarantees granted (note 22)		
Guarantees	3,716,413	3,859,747
Stand-by letter of credit	72,082	68,301
Open documentary credits	337,585	506,160
Bails and indemnities	366,170	401,837
	4,492,250	4,836,045
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	20,490	18,383
Irrevocable credit lines	2,470,245	2,184,968
Other irrevocable commitments	282,546	294,046
Revocable commitments		
Revocable credit lines	3,829,901	3,931,708
Bank overdraft facilities	492,318	615,795
Other revocable commitments	39,669	62,571
	7,135,169	7,107,471
Guarantees received	26,623,798	27,051,441
Commitments from third parties	10,994,238	11,043,835
Securities and other items held for safekeeping	65,975,425	59,903,424
Securities and other items held under custody by the Securities Depository Authority	60,161,612	55,380,653
Other off balance sheet accounts	129,085,781	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.

47. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the Group's pricing policy.

Thus, the fair value obtained is influenced by the parameters used in the evaluation model that have some degree of judgment and reflects exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities are presented as follows:

Cash and deposits at Central Banks, Loans and advances to credit institutions repayable on demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to credit institutions, Deposits from credit institutions and Assets with repurchase agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. This update is made based on the prevailing market rate for the term of each cash flow plus the average spread of the production of the most recent 3 months of the same. For the elements with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

For resources from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.00% as at 30 June 2017 (31 December 2016: 0.00%).

For the remaining loans and advances and deposits, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities (rates from the monetary market or from the interest rate swap market). As at 30 June 2017, the average discount rate was 3.04% for loans and advances and -0.53% for deposits, for operations in Euros these rates are 1.41% and -0.69% (these values include the spread associated with each type of operation).

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Financial assets available for sale

These financial instruments are accounted for at fair value. Fair value is based on market prices (*"Bid-price")*, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted for factors associated, predominantly credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content - Reuters and Bloomberg - more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. For loans with signs of impairment, the net impairment of these operations is considered as a reasonable estimate of their fair value, considering the economic valuation that is realized in the determination of this impairment.

The discount rate used is the one that reflects the current rates of the Group for each of the homogeneous classes of this type of instruments and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period) and the spread used at the date of the report, which was calculated from the average production of the three most recent months compared to the reporting date. The average discount rate was 4.05% as at 30 June 2017, for operations in Euros this rate is 3.75% (these values include the spread associated with each type of operation). The calculations also include the credit risk spread.

Resources from customers and other loans

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows for the referred instruments, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the period) and the actual spread of the Group. This was calculated from the average production of the three most recent months compared to the reporting date. As at 30 June 2017, the average discount rate was 1.33% (for Euros 0.09%).

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the market interest rate curve adjusted by associated factors, predominantly credit risk and trading margin, the latter only in the case of issues placed on non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own issued debts placed among non institutional costumers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in Euros and used in the calculation of the fair value of own securities was 6.79% (31 December 2016: 8.54%) for subordinated debt placed on the institutional market, not considering the CoCos. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 2.55% (31 December 2016: 3.03%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 0.18% (31 December 2016: 0.76%) for issues placed on the institutional market and 1.29% (31 December 2016: 1.28%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined is a negative amount of Euros 32,244,000 (31 December 2016: a negative amount of Euros 20,752,000), and includes a payable amount of Euros 10,537,000 (31 December 2016: a payable amount of Euros 5,916,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 30 June 2017, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

	Currencies			
	EUR	**USD**	**GBP**	**PLN**
1 day	-0.42%	1.39%	0.24%	1.49%
7 days	-0.42%	1.40%	0.25%	1.49%
1 month	-0.42%	1.41%	0.27%	1.56%
2 months	-0.39%	1.45%	0.36%	1.60%
3 months	-0.38%	1.52%	0.40%	1.63%
6 months	-0.30%	1.66%	0.57%	1.71%
9 months	-0.23%	1.75%	0.68%	1.73%
1 year	-0.23%	1.43%	0.78%	1.76%
2 years	-0.13%	1.59%	0.69%	1.93%
3 years	0.00%	1.71%	0.80%	2.07%
5 years	0.28%	1.91%	0.99%	2.36%
7 years	0.54%	2.07%	1.15%	2.56%
10 years	0.90%	2.24%	1.35%	2.80%
15 years	1.28%	2.39%	1.55%	3.13%
20 years	1.45%	2.47%	1.62%	3.25%
30 years	1.54%	2.50%	1.61%	3.25%

The following table shows the fair value of financial assets and liabilities of the Group, as at 30 June 2017:

	Jun 2017				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	1,650,857	1,650,857	1,650,857
Loans and advances to credit institutions					
Repayable on demand	-	-	491,497	491,497	491,497
Other loans and advances	-	-	895,899	895,899	894,053
Loans and advances to customers (i)	-	-	48,065,976	48,065,976	45,791,282
Financial assets held for trading	973,978	-	-	973,978	973,978
Other financial assets held for trading at fair value through profit or loss	141,973	-	-	141,973	141,973
Financial assets available for sale	-	12,384,733	-	12,384,733	12,384,733
Assets with repurchase agreement	-	-	15,419	15,419	15,421
Hedging derivatives (ii)	113,860	-	-	113,860	113,860
Held to maturity financial assets	-	-	451,254	451,254	442,658
	1,229,811	12,384,733	51,570,902	65,185,446	62,900,312
Resources from credit institutions	-	-	9,373,181	9,373,181	9,357,549
Resources from customers (i)	2,835,451	-	47,800,298	50,635,749	50,630,827
Debt securities (i)	861,860	-	2,259,565	3,121,425	3,089,181
Financial liabilities held for trading	476,192	-	-	476,192	476,192
Hedging derivatives (ii)	289,292	-	-	289,292	289,292
Subordinated debt (i)	-	-	850,603	850,603	1,038,550
	4,462,795	-	60,283,647	64,746,442	64,881,591

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

	Dec 2016				
	Fair value through profit or loss Euros '000	Fair value through reserves Euros '000	Amortised cost Euros '000	Book value Euros '000	Fair value Euros '000
Cash and deposits at Central Banks	-	-	1,573,912	1,573,912	1,573,912
Loans and advances to credit institutions					
Repayable on demand	-	-	448,225	448,225	448,225
Other loans and advances	-	-	1,056,701	1,056,701	1,054,536
Loans and advances to customers (i)	-	-	48,017,602	48,017,602	45,692,179
Financial assets held for trading	1,048,797	-	-	1,048,797	1,048,797
Other financial assets held for trading at fair value through profit or loss	146,664	-	-	146,664	146,664
Financial assets available for sale	-	10,596,273	-	10,596,273	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525	20,525
Hedging derivatives (ii)	57,038	-	-	57,038	57,038
Held to maturity financial assets	-	-	511,181	511,181	493,219
	1,252,499	10,596,273	51,628,146	63,476,918	61,131,368
Resources from credit institutions	-	-	9,938,395	9,938,395	9,984,427
Resources from customers (i)	2,985,741	-	45,811,906	48,797,647	48,692,203
Debt securities (i)	785,664	-	2,727,156	3,512,820	3,492,068
Financial liabilities held for trading	547,587	-	-	547,587	547,587
Hedging derivatives (ii)	383,992	-	-	383,992	383,992
Subordinated debt (i)	-	-	1,544,555	1,544,555	1,745,871
	4,702,984	-	60,022,012	64,724,996	64,846,148

(i) - The book value includes the effect of the adjustments resulting from the application of hedge accounting;
(ii) - Includes a portion that is recognized in reserves in the application of accounting cash flow hedge.

The Group classified the financial instruments recorded in the balance sheet at fair value in accordance with the hierarchy established in IFRS 13.

The fair value of financial instruments is determined using quotations recorded in active and liquid markets, considering that a market is active and liquid whenever its stakeholders conduct transactions on a regular basis giving liquidity to the instruments traded.

When it is verified that there are no transactions that regularly provide liquidity to the traded instruments, valuation methods and techniques are used to determine the fair value of the financial instruments.

Level 1 - With quotation in active market

In this category are included, in addition to financial instruments traded on a regulated market, bonds and units of investment funds valued on the basis of prices disclosed through trading systems.

The classification of the fair value of level 1 is used when:

i) - There is a firm daily enforceable quotation for the financial instruments concerned, or;
ii) - There is a quotation available in market information systems that aggregate multiple prices of various stakeholders, or;
iii) - Financial instruments have been classified in level 1, at least 90% of trading days in the year (at the valuation date).

Level 2 - valuation methods and techniques based on market data

Financial instruments, when there are no regular transactions in the active and liquid markets (level 1), are classified in level 2, according to the following rules:

i) - Failure to comply with the rules defined for level 1, or;
ii) - They are valued based on valuation methods and techniques that use mostly observable market data (interest rate or exchange rate curves, credit curves, etc.).

Level 2 includes over-the-counter derivative financial instruments contracted with counterparties with which the Bank maintains collateral exchange ISDAs with Credit Support Annex (CSA)), in particular with quite reduced MTA (Minimum Transfer Amount) which contributes to the mitigation of the counterparty credit risk, so that the CVA (Credit Value Adjustment) component is not significant.

Level 3 - valuation methods and techniques based on data not observable in the market

If the level 1 or level 2 criteria are not met, financial instruments should be classified in level 3, as well as in situations where the fair value of financial instruments results from the use of information not observable in the market, such as:

- financial instruments which are not classified as level 1 and which are valued using evaluation methods and techniques without being known or where there is consensus on the criteria to be used, namely:

i) - They are valued using comparative price analysis of financial instruments with risk and return profile, typology, seniority or other similar factors, observable in the active and liquid markets;
ii) - They are valued based on performance of impairment tests, using performance indicators of the underlying transactions (e.g. default probability rates of the underlying assets, delinquency rates, evolution of the ratings, etc.);
iii) - They are valued based on NAV (Net Asset Value) disclosed by the management entities of securities/real estate/other investment funds not listed on a regulated market.

- At level 3 are included over-the-counter derivative financial instruments that have been contracted with counterparties with which the Bank does not maintain collateral exchange agreements (CSA), in which credit risk adjustments are determined using non-observable market data (e.g. internal ratings, default probabilities determined by internal models, etc.).

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 30 June 2017:

	Jun 2017			
	Valorisation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Cash and deposits at Central Banks	1,650,857	-	-	1,650,857
Loans and advances to credit institutions				
Repayable on demand	491,497	-	-	491,497
Other loans and advances	-	-	894,053	894,053
Loans and advances to customers	-	-	45,791,282	45,791,282
Financial assets held for trading	228,298	151,764	593,916	973,978
Other financial assets held for trading				
at fair value through profit or loss	141,973	-	-	141,973
Financial assets available for sale	10,187,522	963,574	1,233,637	12,384,733
Assets with repurchase agreement	-	-	15,421	15,421
Hedging derivatives	-	113,860	-	113,860
Held to maturity financial assets	53,550	290,532	98,576	442,658
	12,753,697	1,519,730	48,626,885	62,900,312
Resources from credit institutions	-	-	9,357,549	9,357,549
Resources from customers	-	-	50,630,827	50,630,827
Debt securities	677,874	-	2,411,307	3,089,181
Financial liabilities held for trading	496	394,263	81,433	476,192
Hedging derivatives	-	289,292	-	289,292
Subordinated debt	-	-	1,038,550	1,038,550
	678,370	683,555	63,519,666	64,881,591

The following table shows, by valuation levels, the fair value of financial assets and liabilities of the Group, as at 31 December 2016:

	Dec 2016			
	Valorisation techniques			
	Level 1 Euros '000	Level 2 Euros '000	Level 3 Euros '000	Total Euros '000
Cash and deposits at Central Banks	1,573,912	-	-	1,573,912
Loans and advances to credit institutions				
Repayable on demand	448,225	-	-	448,225
Other loans and advances	-	-	1,054,536	1,054,536
Loans and advances to customers	-	-	45,692,179	45,692,179
Financial assets held for trading	194,943	239,634	614,220	1,048,797
Other financial assets held for trading				
at fair value through profit or loss	146,664	-	-	146,664
Financial assets available for sale	8,239,244	1,060,858	1,296,171	10,596,273
Assets with repurchase agreement	-	-	20,525	20,525
Hedging derivatives	-	57,038	-	57,038
Held to maturity financial assets	54,623	337,790	100,806	493,219
	10,657,611	1,695,320	48,778,437	61,131,368
Resources from credit institutions	-	-	9,984,427	9,984,427
Resources from customers	-	-	48,692,203	48,692,203
Debt securities	585,516	-	2,906,552	3,492,068
Financial liabilities held for trading	234	459,309	88,044	547,587
Hedging derivatives	-	383,992	-	383,992
Subordinated debt	-	-	1,745,871	1,745,871
	585,750	843,301	63,417,097	64,846,148

Non-current assets held for sale and investment properties

The fair value of non-current assets held for sale and investment properties as at 30 June 2017 amounts to Euros 2,448,740,000 and Euros 12,293,000, respectively (31 December 2016: Euros 2,491,635,000 and Euros 12,692,000, respectively) and are framed within level 3 of the fair value hierarchy of IFRS 13. There were no transfers between fair value hierarchies in the first semester of 2017 and in 2016.

The fair value of these assets is determined based on valuations carried out by independent appraisers, which incorporate assumptions about the evolution of the real estate market, better use of the property and, when applicable, expectations regarding the development of real estate projects.

The evaluations are based on generally accepted methodologies in the real estate market, namely the market, income and cost method, which are selected by the appraisers according to the specific characteristics of each asset.

48. 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 June 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:

	Jun 2017	Dec 2016
Number of participants		
Pensioners	16,558	16,524
Former Attendees Acquired Rights	3,360	3,386
Employees	7,487	7,537
	27,405	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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Projected benefit obligations		
Pensioners	1,979,648	1,959,977
Former attendees acquired rights	205,320	221,860
Employees	871,523	910,812
	3,056,491	3,092,649
Pension fund value	(3,186,603)	(3,124,330)
Net (assets) / liabilities in balance sheet (notes 32 and 39)	(130,112)	(31,681)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,174,677	3,220,601

As at 30 June 2017, the projected benefit liabilities include Euros 316,421,000 (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 June 2017, these liabilities include Euros 11,696,000 (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:

	Jun 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	(8,436)	278	(8,158)	(741)	-	(741)
Interest cost / (income)	28,670	3,297	31,967	69,715	7,537	77,252
Actuarial (gains) and losses						
Not related to changes in actuarial assumptions	21,024	(2,287)	18,737	21,828	(1,690)	20,138
Arising from changes in actuarial assumptions	-	-	-	93,570	18,553	112,123
Payments	(37,481)	(10,713)	(48,194)	(70,534)	(21,576)	(92,110)
Early retirement programmes	5,388	-	5,388	4,164	-	4,164
Contributions of employees	4,099	-	4,099	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	2,740,070	316,421	3,056,491	2,768,439	324,210	3,092,649

As at 30 June 2017 the value of the benefits paid by the Pension Fund, excluding other benefits included on Extra-fund, amounts to Euros 37,481,000 (31 December 2016: Euros 70,534,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 30 June 2017, to the amount of Euros 311,949,000 (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 June 2017 amounts to Euros 66,356,000 (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 semester of 2017 and in the year 2016, the changes in the value of plan's assets is analysed as follows:

	Jun 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	4,099	8,398
Actuarial gains and (losses)	64,661	(170,384)
Payments	(37,481)	(70,534)
Expected return on plan assets	29,700	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	3,186,603	3,124,330

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

	Jun 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	330,464	95,717	426,181	423,343	102,756	526,099
Bonds and other fixed income securities	1,256,882	3,360	1,260,242	1,187,721	159,618	1,347,339
Participations units in investment funds	-	542,194	542,194	-	259,312	259,312
Participation units in real estate funds	-	262,052	262,052	-	243,680	243,680
Properties	-	282,675	282,675	-	282,673	282,673
Loans and advances to credit institutions and others	-	413,259	413,259	-	465,227	465,227
	1,587,346	1,599,257	3,186,603	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 June 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 June 2017, amounts to Euros 281,991,000 (31 December 2016: Euros 281,991,000), mostly a set of properties called "Taguspark" whose book value as at 30 June 2017 amounts to Euros 269,287,000 (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:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Fixed income securities	129,973	129,966
Loans and advances to credit institutions and others	319,559	351,766
	449,532	481,732

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

	Jun 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	(8,158)	(741)
Interest cost / (income) net of the balance liabilities coverage	2,267	4,502
Cost with early retirement programs	5,388	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	(64,661)	170,384
Difference between expected and effective obligations	18,737	20,138
Arising from changes in actuarial assumptions	-	112,122
Contributions to the fund	-	(125,000)
Payments	(10,713)	(21,575)
Balance at the end of the period	(130,112)	(31,681)

During 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 June 2017, the Group accounted post-employment benefits as a gain in the amount of Euros 41,794,000 (30 June 2016: loss of Euros 987,000), which is analysed as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Current service cost	(8,158)	(376)
Net interest cost in the liability coverage balance	2,267	2,252
Cost / (income) with early retirement programs and mutually agreed terminations	4,094	(889)
Changes occurred in the Collective Labour Agreement	(39,997)	-
(Income) / Cost of the period	(41,794)	987

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:

	Jun 2017	Dec 2016
	Euros '000	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:

	Jun 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 June 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 June 2017, no changes were made to these actuarial assumptions.

Net actuarial gains amounts to Euros 45,924,000 (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			
	Jun 2017		Dec 2016	
	Values effectively verified in %	Euros '000	Values effectively verified in %	Euros '000
Deviation between expected and actual liabilities		18,737		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	3.52%	(64,661)	-2.62%	170,384
		(45,924)		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 June 2017, the actuarial losses not resulting from changes in assumptions amount to Euros 18,737,000 (31 December 2016: Euros 20,138,000).

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

	Impact resulting from changes in financial assumptions			
	Jun 2017		Dec 2016	
	-0.25%	0.25%	-0.25%	0.25%
	Euros '000	Euros '000	Euros '000	Euros '000
Discount rate	132,021	(124,057)	134,744	(126,913)
Pension's increase rate	(129,840)	122,024	(122,043)	160,604
Salary growth rate	(35,094)	37,265	(36,049)	38,509

	Impact resulting from changes in demographic assumptions			
	Jun 2017		Dec 2016	
	- 1 year	+ 1 year	- 1 year	+ 1 year
	Euros '000	Euros '000	Euros '000	Euros '000
Changes in mortality table	97,661	(98,209)	72,748	(97,787)

The sensitivities presented were determined based on the application of the same conditions to the whole population, that is, as at 31 December 2016, the affiliates of the "Sindicato dos Bancários do Norte" are considered to have the same plan as the rest. It is considered that this simplification does not materially affect the analysis.

During the first semester of 2017 and in the year 2016, a sensitivity analysis was performed to a positive variation and a negative variation of one percentage point in the value of the health benefits costs, the impact of which is analysed as follows:

	Positive variation of 1%		Negative variation of 1%	
	Jun 2017	Dec 2016	Jun 2017	Dec 2016
	Euros '000	Euros '000	Euros '000	Euros '000
Pension cost impacts	27	29	(27)	(29)
Liabilities impacts	3,119	3,135	(3,119)	(3,135)

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 29,000 (31 December 2016: Euros 48,000) related to this contribution.

49. Related parties

As defined by IAS 24, are considered related parties of the Group, the companies detailed in note 58 - List of subsidiary and associated companies of Banco Comercial Português Group, the Pension Fund, the members of the Board of Directors and key management members. The key management members are the first line Directors. Beyond the members of the Board of Directors and key management members, are also considered related parties people who are close to them (family relationships) and entities controlled by them or in whose management they have significant influence.

As the transactions with subsidiaries are eliminated in consolidation, these are not included in the notes to the Group's consolidated financial statements.

According to Portuguese law, in particular under Articles 109 of the General Law for Credit Institutions and Financial Companies, are also considered related parties, the qualified shareholders of Banco Comercial Português, S.A. and the entities controlled by them or with which they are in a group relationship. The list of the qualified shareholders is detailed in note 40.

a) Transactions with qualified shareholders

The balances reflected in assets of consolidated balance sheet with qualified shareholders, are analysed as follows:

	Jun 2017	Dec 2016
Assets		
Loans and advances to customers	229,553	237,577
Financial assets held for trading	19,117	15,814
Financial assets available for sale	116,782	106,390
	365,452	359,781
Liabilities		
Resources from customers	373,764	390,965
	373,764	390,965

Loans and advances to customers are net of impairment in the amount of Euros 187,000 (31 December 2016: Euro 130,000).

During the first semester of 2017 and 2016, the transactions with qualified shareholders, reflected in the consolidated income statement items, are as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Income		
Interest and similar income	5,574	2,868
Commissions	2,703	737
	8,277	3,605
Costs		
Interest and similar expenses	376	68
Commissions	20	9
	396	77

The balances with qualified shareholders, reflected in the guarantees granted and revocable and irrevocable credit lines, are as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Guarantees granted	30,281	30,378
Revocable credit lines	221,506	216,271
	251,787	246,649

b) Transactions with members of the Board of Directors and Key management members

The balances with related parties discriminated in the following table, included in asset items on the consolidated balance sheet, are analysed as follows:

	Loans and advances to credit institutions		Loans and advances to customers		Financial assets held for trading	
	Jun 2017 Euros '000	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Board of Directors						
Non-executive directors	-	-	10	20	-	-
Executive Committee	-	-	128	139	-	-
Closely related people	-	-	15	13	-	-
Controlled entities	-	2,840	-	-	1,738	844
Key management members						
Key management members	-	-	6,975	7,272	-	-
Closely related people	-	-	364	274	-	-
Controlled entities	-	-	130	196	-	-
	-	2,840	7,622	7,914	1,738	844

The balances with related parties discriminated in the following table, included in liabilities items in the consolidated balance sheet, are analysed as follows:

	Resources from credit institutions		Resources from customers		Financial liabilities held for trading	
	Jun 2017 Euros '000	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Board of Directors						
Non-executive directors	-	-	527	1,593	-	-
Executive Committee	-	-	1,118	1,094	-	-
Closely related people	-	-	2,592	1,745	-	-
Controlled entities	21,551	16,866	438	1,446	-	1,053
Key management members						
Key management members	-	-	7,340	6,924	-	-
Closely related people	-	-	2,239	2,143	-	-
Controlled entities	-	-	1,712	904	-	-
	21,551	16,866	15,966	15,849	-	1,053

During the first semester of 2017 and 2016, the transactions with related parties discriminated in the following table, included in income for items of the consolidated income statement, are as follows:

	Interest and similar income		Commissions' income	
	Jun 2017 Euros '000	**Jun 2016 Euros '000**	**Jun 2017 Euros '000**	**Jun 2016 Euros '000**
Board of Directors				
Non-executive directors	-	-	40	39
Executive Committee	-	-	14	12
Closely related people	-	-	11	9
Controlled entities	-	-	64	71
Key management members				
Key management members	22	27	31	31
Closely related people	4	5	18	17
Controlled entities	2	3	5	4
	28	35	183	183

During the first semester of 2017 and 2016, the transactions with related parties discriminated in the following table, included in cost items of the consolidated income statement, are as follows:

	Interest and similar expense		Commissions' expense	
	Jun 2017 Euros '000	Jun 2016 Euros '000	Jun 2017 Euros '000	Jun 2016 Euros '000
Board of Directors				
Non-executive directors	2	10	1	1
Executive Committee	2	3	-	-
Closely related people	2	6	-	-
Controlled entities	27	20	-	-
Key management members				
Key management members	19	27	1	1
Closely related people	4	5	1	1
Controlled entities	1	1	1	1
	57	72	4	4

The revocable and irrevocable credit lines granted by the Group to the following related parties are as follows:

	Revocable credit lines		Irrevocable credit lines	
	Jun 2017 Euros '000	Dec 2016 Euros '000	Jun 2017 Euros '000	Dec 2016 Euros '000
Board of Directors				
Non-executive directors	95	109	-	-
Executive Committee	105	95	-	-
Closely related people	109	138	-	-
Controlled entities	25	25	-	-
Key management members				
Key management members	461	453	-	39
Closely related people	280	268	-	-
Controlled entities	17	16	-	-
	1,092	1,104	-	39

The fixed remunerations and social charges paid to members of the Board of Directors and Key management members are analysed as follows:

	Board of Directors					
	Executive Committee		Non-executive directors		Key management members	
	Jun 2017 Euros '000	Jun 2016 Euros '000	Jun 2017 Euros '000	Jun 2016 Euros '000	Jun 2017 Euros '000	Jun 2016 Euros '000
Remunerations	1,417	1,040	343	279	3,148	2,768
Supplementary retirement pension	375	346	-	-	-	-
Post-employment benefits	19	14	-	-	(28)	78
Other mandatory social security charges	333	235	83	65	787	748
	2,144	1,635	426	344	3,907	3,594

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or governing bodies for which they have been designated by indication of the Bank or representing it, in the latter case, the net amount of the remunerations annually received by each member would be deducted from the fixed annual remuneration attributed by the Bank.

During the first semester 2017, the amount of remuneration paid to the Executive Committee, includes Euros 49,000 (30 June 2016: Euros 110,000), which were supported by subsidiaries or companies whose governing bodies represent the Group's interests. During the first semester of 2017 and 2016, no variable remuneration was attributed to the members of the Executive Committee.

During the first semester 2017, no severance payments were paid to key management members (30 June 2016: Euros 483,000 paid to one member).

The shareholder and bondholder position of members of the Board of Directors, Key management members and persons closely related to the previous categories, is as follows:

		Number of securities at		Changes during 2017			
Shareholders / Bondholders	**Security**	**30/06/17**	**31/12/16**	**Acquisitions (*)**	**Disposals**	**Date**	**Unit Price Euros**
Members of Board of Directors							
António Vítor Martins Monteiro (i)	BCP Shares	3,872	242	3,630		3-fev-17	0,094
Carlos José da Silva	BCP Shares	248,704	15,544	233,160		3-fev-17	0,094
Nuno Manuel da Silva Amado	BCP Shares	1,025,388	50,996	974,392		3-fev-17	0,094
Álvaro Roque de Pinho de Bissaia Barreto	BCP Shares	0	0				
André Magalhães Luiz Gomes	BCP Shares	11,392	712	10,680		3-fev-17	0,094
António Henriques Pinho Cardão (ii)	BCP Shares	55,304	10,304	45,000		3-fev-17	0,094
António Luís Guerra Nunes Mexia	BCP Shares	2,416	151	2,265		2-fev-17	0,094
Cidália Maria Mota Lopes (x)	BCP Shares	2,184	136	2,048		2-fev-17	0,094
Jaime de Macedo Santos Bastos	BCP Shares	848	53	795		3-fev-17	0,094
João Manuel Matos Loureiro	BCP Shares	2,800	175	2,625		3-fev-17	0,094
João Nuno Oliveira Jorge Palma	BCP Shares	34,128	2,133	31,995		2-fev-17	0,094
José Jacinto Iglésias Soares	BCP Shares	0	0				
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	1,748	278	1,470		3-fev-17	0,094
Lingjiang Xu	BCP Shares	0	0				
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	58,672	3,667	55,005		3-fev-17	0,094
Miguel de Campos Pereira de Bragança	BCP Shares	365,968	22,873	343,095		3-fev-17	0,094
Miguel Maya Dias Pinheiro	BCP Shares	361,408	22,588	338,820		3-fev-17	0,094
Raquel Rute da Costa David Vunge (iii)	BCP Shares	0	0				
Rui Manuel da Silva Teixeira (iv)	BCP Shares	36,336	2,271	34,065		2-fev-17	0,094
Key management members							
Albino António Carneiro de Andrade	BCP Shares	0	0				
Américo João Pinto Carola (v)	BCP Shares	503	503				
Ana Isabel dos Santos de Pina Cabral (vi)	BCP Shares	39,040	2,440	36,600		3-fev-17	0,094
Ana Maria Jordão F. Torres Marques Tavares (vii)	BCP Shares	82,635	9,509	73,126		2-fev-17	0,094
André Cardoso Meneses Navarro	BCP Shares	267,888	16,743	251,145		2-fev-17	0,094
António Augusto Amaral de Medeiros	BCP Shares	42,656	2,666	39,990		2-fev-17	0,094
António Augusto Decrook Gaioso Henriques	BCP Shares	506,126	29,036	477,090		2-fev-17	0,094
António Ferreira Pinto Júnior	BCP Shares	21,344	1,334	20,010		2-fev-17	0,094
António Luís Duarte Bandeira (viii)	BCP Shares	113,001	8,000	105,001		2-fev-17	0,094
Artur Frederico Silva Luna Pais	BCP Shares	328,795	20,047	308,748		2-fev-17	0,094
Belmira Abreu Cabral	BCP Shares	0	1,206		1,206	19-jan-17	0.152
Carlos Alberto Alves	BCP Shares	106,656	6,666	99,990		2-fev-17	0,094
Diogo Cordeiro Crespo Cabral Campello	BCP Shares	29,328	1,833	27,495		2-fev-17	0,094
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	11,691	1,911	9,780		2-fev-17	0,094
Filipe Maria de Sousa Ferreira Abecasis	BCP Shares	0	0				
Francisco António Caspa Monteiro	BCP Shares	29,354	2,965		2,965	17-jan-17	0.160
				29,354		2-fev-17	0,094
Gonçalo Nuno Belo de Almeida Pascoal	BCP Shares	48	3	45		3-fev-17	0,094
Henrique Raul Ferreira Leite Pereira Cernache	BCP Shares	2,272	142	2,130		3-fev-17	0,094
João Nuno Lima Brás Jorge	BCP Shares	91,709	5,653	86,056		3-fev-17	0,094
Jorge Filipe Nogueira Freire Cortes Martins	BCP Shares	1,600	100	1,500		2-fev-17	0,094
Jorge Manuel Machado de Sousa Góis	BCP Shares	0	0				
José Guilherme Potier Raposo Pulido Valente	BCP Shares	138,719	28,600	110,119		2-fev-17	0,094

(*) Under the scope of the increase of share capital occurred in February 2017, as referred in note 40.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

		Number of securities at		Changes during 2017			
Shareholders / Bondholders	**Security**	**30/06/17**	**31/12/16**	**Acquisitions (*)**	**Disposals**	**Date**	**Unit Price Euros**
José Laurindo Reino da Costa (ix)	BCP Shares	182,428	12,433	169,995		3-fev-17	0,094
Luis Miguel Manso Correia dos Santos	BCP Shares	21,328	1,333	19,995		2-fev-17	0,094
Maria Manuela Correia Duro Teixeira	BCP Shares	0	0				
Maria Manuela de Araujo Mesquita Reis	BCP Shares	106,656	6,666	99,990		2-fev-17	0,094
Maria Montserrat Vendrell Serrano Duarte	BCP Shares	0	0				
Mário António Pinho Gaspar Neves	BCP Shares	30,000	1,855	28,145		6-fev-17	0,094
	Certificates BCPI Eurostox 50	0	187		187	18-jan-17	115.8200
	Certificates BCPI DAX 30	0	55		55	18-jan-17	32.9000
Miguel Filipe Rodrigues Ponte	BCP Shares	5,164	221	4,943		7-fev-17	0,094
Miguel Pedro Lourenço Magalhães Duarte	BCP Shares	30,600	30,600				
Nelson Luís Vieira Teixeira	BCP Shares	285	285				
Nuno Alexandre Ferreira Pereira Alves	BCP Shares	1,800	1,800				
Pedro José Mora de Paiva Beija	BCP Shares	0	0				
Pedro Manuel Macedo Vilas Boas	BCP Shares	0	0				
Pedro Manuel Rendas Duarte Turras	BCP Shares	14,816	926	13,890		3-fev-17	0,094
Pedro Trigo de Morais de Albuquerque Reis	BCP Shares	0	0				
Ricardo Potes Valadares	BCP Shares	10,373	1,373	9,000		23-jan-17	0,094
Rosa Maria Ferreira Vaz Santa Barbara	BCP Shares	8,240	1,205	7,035		23-jan-17	0,094
Rui Fernando da Silva Teixeira	BCP Shares	12,614	12,614				
Rui Manuel Pereira Pedro	BCP Shares	149,328	9,333	139,995		3-fev-17	0,094
Rui Nelson Moreira de Carvalho Maximino	BCP Shares	0	0				
Rui Pedro da Conceição Coimbra Fernandes	BCP Shares	0	0				
Vânia Alexandra Machado Marques Correia	BCP Shares	0	0				
Teresa Paula Corado Leandro Chaves do Nascimento	BCP Shares	0	0				
Vasco do Carmo Viana Rebelo de Andrade	BCP Shares	0	0				
Persons closely related to the previous categories							
Alexandre Miguel Martins Ventura (x)	BCP Shares	2,184	137	2,047		3-fev-17	0,094
Ana Isabel Salgueiro Antunes (v)	BCP Shares	29	29				
Ana Margarida Rebelo A.M. Soares Bandeira (viii)	BCP Shares	2,976	186	2,790		2-fev-17	0,094
Eusébio Domingos Vunge (iii)	BCP Shares	4,170	691	3,479			0,2357
	Certific BCPi DAX 30	100	100				
	Certific BCPi EUROSTOXX 50	142	142				
Francisco Jordão Torres Marques Tavares (vii)	BCP Shares	1,016	62	954		2-fev-17	0,094
Isabel Maria V Leite P Martins Monteiro (i)	BCP Shares	3,104	195	2,909		3-fev-17	0,094
João Paulo Fernandes de Pinho Cardão (ii)	BCP Shares	72,736	4,546	68,190		3-fev-17	0,094
José Manuel de Vasconcelos Mendes Ferreira (vi)	BCP Shares	1,616	101	1,515		3-fev-17	0,094
Luís Miguel Fernandes de Pinho Cardão (ii)	BCP Shares	3,104	194	2,910		3-fev-17	0,094
Maria Avelina V C L J Teixeira Diniz (viii)	BCP Shares	16,770	2,434	14,336		2-fev-17	0,094
Maria da Graça dos Santos Fernandes de Pinho Cardão (ii)	BCP Shares	3,728	383	3,345		3-fev-17	0,094
Maria Helena Espassandim Catão (iv)	BCP Shares	576	36	540		2-fev-17	0,094
Maria Raquel Sousa Candeias Reino da Costa (ix)	BCP Shares	288	18	270		2-fev-17	0,094

(*) Under the scope of the increase of share capital occurred in February 2017, as referred in note 40.

The paragraphs indicated in the tables above for the categories "Members of Board of Directors" and "Key management members", identify the people to who they are associated with the category "People closely related to the previous categories."

c) Balances and transactions with associated companies

The balances with associated companies included in the consolidated balance sheet items are as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Assets		
Loans and advances to credit institutions		
Repayable on demand	1,398	980
Other loans and advances	276,586	262,262
Loans and advances to customers	86,322	111,591
Financial assets held for trading	65,707	73,468
Other assets	12,897	26,274
	442,910	474,575
Liabilities		
Resources from credit institutions	160,954	194,348
Resources from customers	494,254	488,165
Debt securities issued	652,286	976,849
Subordinated debt	479,388	475,276
Financial liabilities held for trading	52,781	66,946
Other liabilities	-	28
	1,839,663	2,201,612

As at 30 June, the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S, S.A. holds 142,601,002 BCP shares (31 December 2016: 8,694,500 shares) in the amount of Euros 33,597,000 (31 December 2016: Euros 9,312,000).

During the first semester of 2017 and 2016, the transactions with associated companies included in the consolidated income statement items, are as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Income		
Interest and similar income	6,238	4,737
Commissions' income	28,272	27,736
Other operating income	620	638
	35,130	33,111
Costs		
Interest and similar expenses	27,171	34,157
Commissions' expenses	44	3
Other administrative costs	31	10
	27,246	34,170

As at 31 December 2016 and 2015, the guarantees granted and revocable credit lines by the Group to associated companies, are as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Guarantees granted	780	5,330
Revocable credit lines	10,768	10,403
	11,548	15,733

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

	Jun 2017 Euros '000	Jun 2016 Euros '000
Life insurance		
Saving products	16,190	15,879
Mortgage and consumer loans	9,785	10,273
Others	16	17
	25,991	26,169
Non - Life insurance		
Accidents and health	8,064	7,798
Motor	1,713	1,620
Multi-Risk Housing	2,988	2,955
Others	519	523
	13,284	12,896
	39,275	39,065

The remuneration for insurance intermediation services were received through bank transfers and resulted from insurance intermediation with the subsidiary of Millenniumbcp Ageas Group (Ocidental - Companhia Portuguesa de Seguros de Vida, S.A.) and with Ocidental - Companhia Portuguesa de Seguros, SA. The Group does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Group, other than those already disclosed.

The receivable balances from insurance intermediation activity, by nature, are analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Funds receivable for payment of life insurance commissions	12,784	12,636
Funds receivable for payment of non-life insurance commissions	6,421	6,108
	19,205	18,744

The commissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:
- insurance contracts – use of fixed rates on gross premiums issued;
- investment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

d) Transactions with the Pension Fund

The balances with the Pension Fund included in Liabilities items of the consolidated balance sheet are as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Resources from customers	319,559	351,766
Subordinated debt	129,973	129,966
	449,532	481,732

During the first semester of 2017, there were no transactions of financial assets between the Group and the Pension Fund. During 2016, the Group sold bonds to the pension fund in the amount of Euros 16,748,000.

During the first semester of 2017 and 2016, the balances with the Pension Fund included in income and expense items of the consolidated income statement, are as follows:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Income		
Commissions	408	341
Expenses		
Interest expense and similar charges	1,187	1,336
Administrative costs	9,952	8,360
	11,139	9,696

The balance Administrative costs corresponds to the amount of rents incurred under the scope of Fund's properties which the tenant is the Group.

As at 30 June 2017, the amount of Guarantees granted by the Group to the Pension Fund amounted to Euros 5,000 (31 December 2016: Euros 5,000).

50. 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 June 2017, 72% of this portfolio benefited from asset backed loans, including 68% with real estate collateral and 4% with other assets guarantee.

All other businesses not previously discriminated are allocated to the segment Other (Portugal) and include the centralized management of financial investments, corporate activities and operations not integrated in the remaining business segments and other values not allocated to segments.

Foreign Business includes:

- Poland, where the Group is represented by Bank Millennium, a universal bank offering a wide range of financial products and services to individuals and companies nationwide;
- Mozambique, where the Group is represented by BIM – Banco Internacional de Moçambique, a universal bank targeting companies and individual customers; and
- Other, which includes other countries activity such as Switzerland where the Group is represented by Banque Privée BCP, a Private Banking platform under Swiss law and Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to customers with high financial assets (Affluent segment); The segment Other also includes the contribution of the associate in Angola.

B. Business Segments

Foreign Business segment, indicated within the business segment reporting, comprises the Group’s operations developed in other countries already mentioned excluding the activity of Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands which are considered in Private Banking segment.

In the context of the Banco Millennium in Angola merger process with Banco Privado Atlântico, which agreement occurred in 22 April 2016 and the conclusion of the process of the necessary authorizations in 3 May 2016, Banco Millennium Angola was considered as a discontinued operation in March 2016, with the impact of its results presented in the balance Income / (loss) arising from discontinued operations and restated for the previous periods. At the consolidated balance, the assets and liabilities of Banco Millennium Angola, S.A. continued to be consolidated by the full consolidation method till April 2016. After the completion of the merger, in May 2016, the assets and liabilities of Banco Millennium in Angola stopped being considered in the consolidated balance sheet and the investment of 22.5 % in Banco Millennium Atlântico, the new merged entity, started being accounted using the equity method and its contribution to the Group's results have been recognized in the consolidated accounts from May 2016 onwards.

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 June 2017 and 31 December 2016. The capital allocation for each segment on those dates, resulted from the application of 10% to the risks managed by each segment, reflecting the application of Basel III methodologies. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand on the amounts accounted directly in the respective cost centres, and on the other hand, on the amounts resulting from internal cost allocation processes. As an example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

The following information has been prepared based on the individual and consolidated financial statements of the Group prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union (EU), and with the Organization of the Group's business areas in force on 30 June 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 June 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 banking in Portugal	Private banking	Non-core business portfolio	Other	Consolidated
	Retail in Portugal	Foreign business [1]	Total					
Income statement								
Interest and similar income	237,872	417,569	655,441	173,293	19,466	60,930	47,452	956,582
Interest expense and similar charges	(34,112)	(140,186)	(174,298)	(37,472)	(7,868)	(47,303)	(11,142)	(278,083)
Net interest income	203,760	277,383	481,143	135,821	11,598	13,627	36,310	678,499
Commissions and other income	200,127	126,662	326,789	89,785	34,611	4,870	(26,962)	429,093
Commissions and other costs	(7,481)	(69,097)	(76,578)	(4,164)	(2,804)	(14)	(96,760)	(180,320)
Net commissions and other income	192,646	57,565	250,211	85,621	31,807	4,856	(123,722)	248,773
Net gains arising from trading activity	(149)	49,471	49,322	-	(18,568)	-	59,150	89,904
Share of profit of associates under the equity method	-	15,771	15,771	-	-	-	19,333	35,104
Gains / (losses) arising from the sale of subsidiaries and other assets	-	2,205	2,205	-	(1)	(1)	(5,669)	(3,466)
Net operating revenue	396,257	402,395	798,652	221,442	24,836	18,482	(14,598)	1,048,814
Staff costs and administrative costs	232,147	157,294	389,441	44,073	19,138	9,728	(38,291)	424,089
Amortizations and depreciations	1,175	9,969	11,144	315	80	8	14,572	26,119
Operating expenses	233,322	167,263	400,585	44,388	19,218	9,736	(23,719)	450,208
Impairment for credit and financial assets	(36,258)	(46,964)	(83,222)	(123,303)	(2,620)	(105,150)	(22,621)	(336,916)
Other impairments and provisions	(45)	1,985	1,940	91	1	(13,907)	(66,511)	(78,386)
Net income / (loss) before income tax	126,632	190,153	316,785	53,842	2,999	(110,311)	(80,011)	183,304
Income tax	(37,413)	(41,632)	(79,045)	(15,230)	(6,085)	32,605	24,316	(43,439)
Income / (loss) after income tax from continuing operations	89,219	148,521	237,740	38,612	(3,086)	(77,706)	(55,695)	139,865
Income / (loss) arising from discontinued operations [2]	-	-	-	-	-	-	1,250	1,250
Net income / (loss) for the period	89,219	148,521	237,740	38,612	(3,086)	(77,706)	(54,445)	141,115
Non-controlling interests	-	(51,417)	(51,417)	-	-	-	230	(51,187)
Net income / (loss) for the period attributable to Shareholders of the Bank	89,219	97,104	186,323	38,612	(3,086)	(77,706)	(54,215)	89,928

As at 30 June 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	9,863,008	972,159	10,835,167	973,858	2,440,505	4,532	(11,215,809)	3,038,253
Loans and advances to customers	16,820,105	12,251,108	29,071,213	10,846,599	482,731	7,287,819	377,614	48,065,976
Financial assets [2]	20,610	4,760,766	4,781,376	-	25,806	521,688	8,752,347	14,081,217
Other assets	166,851	602,514	769,365	49,149	16,015	883,329	6,120,434	7,838,292
Total Assets	26,870,574	18,586,547	45,457,121	11,869,606	2,965,057	8,697,368	4,034,586	73,023,738
Resources from other credit institutions	1,130,799	1,508,348	2,639,147	3,247,241	338,590	8,090,387	(4,942,184)	9,373,181
Resources from customers	24,286,600	15,004,706	39,291,306	7,849,192	2,486,632	333,693	674,926	50,635,749
Debt securities issued	805,129	274,170	1,079,299	1,036	45,699	2,853	1,992,538	3,121,425
Other financial liabilities	-	187,802	187,802	-	4,442	-	1,423,843	1,616,087
Other liabilities	35,831	408,796	444,627	44,821	7,789	4,314	830,033	1,331,584
Total Liabilities	26,258,359	17,383,822	43,642,181	11,142,290	2,883,152	8,431,247	(20,844)	66,078,026
Equity and non-controlling interests	612,215	1,202,725	1,814,940	727,316	81,905	266,121	4,055,430	6,945,712
Total Liabilities, Equity and non-controlling interests	26,870,574	18,586,547	45,457,121	11,869,606	2,965,057	8,697,368	4,034,586	73,023,738
Number of employees	4,811	8,428	13,239	602	269	147	1,552	15,809

(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 June 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 June 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	Private banking	Non-core business portfolio	Other	Consolidated
	Retail in Portugal	Foreign business (1)	Total	in Portugal				
Income statement								
Interest and similar income	262,580	360,577	623,157	187,640	21,275	80,682	52,722	965,476
Interest expense and similar charges	(72,909)	(129,295)	(202,204)	(46,680)	(11,481)	(63,117)	(41,190)	(364,672)
Net interest income	189,671	231,282	420,953	140,960	9,794	17,565	11,532	600,804
Commissions and other income	187,774	111,744	299,518	80,551	30,755	5,056	(759)	415,121
Commissions and other costs	(6,487)	(66,405)	(72,892)	(3,080)	(3,028)	(16)	(93,550)	(172,566)
Net commissions and other income	181,287	45,339	226,626	77,471	27,727	5,040	(94,309)	242,555
Net gains arising from trading activity	(41)	105,386	105,345	-	1,564	23,893	52,021	182,823
Share of profit of associates under the equity method	-	2,953	2,953	-	-	-	34,763	37,716
Gains / (losses) arising from the sale of subsidiaries and other assets	2	1,236	1,238	-	9	-	(5,727)	(4,480)
Net operating revenue	370,919	386,196	757,115	218,431	39,094	46,498	(1,720)	1,059,418
Staff costs and administrative costs	241,303	151,250	392,553	47,839	19,353	10,632	(11,806)	458,571
Amortizations and depreciations	1,043	11,075	12,118	241	99	10	13,012	25,480
Operating expenses	242,346	162,325	404,671	48,080	19,452	10,642	1,206	484,051
Impairment for credit and financial assets	(36,841)	(35,543)	(72,384)	(271,545)	(1,442)	(302,623)	(142,680)	(790,674)
Other impairments and provisions	(45)	(7,637)	(7,682)	37	-	(5,811)	(12,499)	(25,955)
Net income / (loss) before income tax	91,687	180,691	272,378	(101,157)	18,200	(272,578)	(158,105)	(241,262)
Income tax	(27,033)	(47,377)	(74,410)	29,960	(5,300)	80,410	47,641	78,301
Income / (loss) after income tax from continuing operations	64,654	133,314	197,968	(71,197)	12,900	(192,168)	(110,464)	(162,961)
Income / (loss) arising from discontinued operations (2)	-	36,806	36,806	-	-	-	8,421	45,227
Net income / (loss) for the period	64,654	170,120	234,774	(71,197)	12,900	(192,168)	(102,043)	(117,734)
Non-controlling interests	-	(80,597)	(80,597)	-	-	-	1,080	(79,517)
Net income / (loss) for the period attributable to Shareholders of the Bank	64,654	89,523	154,177	(71,197)	12,900	(192,168)	(100,963)	(197,251)

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

As at 30 June 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	237,872	173,293	11,954	60,930	47,452	531,501	274,570	147,386	3,125	956,582
Interest expense and similar charges	(34,112)	(37,472)	(4,007)	(47,303)	(11,142)	(134,036)	(87,891)	(56,262)	106	(278,083)
Net interest income	203,760	135,821	7,947	13,627	36,310	397,465	186,679	91,124	3,231	678,499
Commissions and other income	200,127	89,785	19,732	4,870	(26,962)	287,552	96,984	29,678	14,879	429,093
Commissions and other costs	(7,481)	(4,164)	(119)	(14)	(96,760)	(108,538)	(58,379)	(10,718)	(2,685)	(180,320)
Net commissions and other income	192,646	85,621	19,613	4,856	(123,722)	179,014	38,605	18,960	12,194	248,773
Net gains arising from trading activity	(149)	-	-	-	59,150	59,001	24,559	5,257	1,087	89,904
Share of profit of associates under the equity method	-	-	-	-	19,333	19,333	-	-	15,771	35,104
Gains / (losses) arising from the sale of subsidiaries and other assets	-	-	(1)	(1)	(5,669)	(5,671)	2,123	82	-	(3,466)
Net operating revenue	396,257	221,442	27,559	18,482	(14,598)	649,142	251,966	115,423	32,283	1,048,814
Staff costs and administrative costs	232,147	44,073	7,396	9,728	(38,291)	255,053	118,245	39,049	11,742	424,089
Amortizations and depreciations	1,175	315	3	8	14,572	16,073	6,304	3,665	77	26,119
Operating expenses	233,322	44,388	7,399	9,736	(23,719)	271,126	124,549	42,714	11,819	450,208
Impairment for credit and financial assets	(36,258)	(123,303)	(2,309)	(105,150)	(22,621)	(289,641)	(29,296)	(17,669)	(310)	(336,916)
Other impairments and provisions	(45)	91	-	(13,907)	(66,511)	(80,372)	(759)	2,745	-	(78,386)
Net income / (loss) before income tax	126,632	53,842	17,851	(110,311)	(80,011)	8,003	97,362	57,785	20,154	183,304
Income tax	(37,413)	(15,230)	(5,109)	32,605	24,316	(831)	(26,975)	(14,781)	(852)	(43,439)
Income / (loss) after income tax from continuing operations	89,219	38,612	12,742	(77,706)	(55,695)	7,172	70,387	43,004	19,302	139,865
Income / (loss) arising from discontinued operations [2]	-	-	-	-	1,250	1,250	-	-	-	1,250
Net income / (loss) for the period	89,219	38,612	12,742	(77,706)	(54,445)	8,422	70,387	43,004	19,302	141,115
Non-controlling interests	-	-	-	-	230	230	(35,123)	(14,580)	(1,714)	(51,187)
Net income / (loss) for the period attributable to Shareholders	89,219	38,612	12,742	(77,706)	(54,215)	8,652	35,264	28,424	17,588	89,928

As at 30 June 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	9,863,008	973,858	1,546,380	4,532	(11,215,809)	1,171,969	636,453	448,952	780,879	3,038,253
Loans and advances to customers	16,820,105	10,846,599	211,152	7,287,819	377,614	35,543,289	11,198,692	1,052,416	271,579	48,065,976
Financial assets [2]	20,610	-	-	521,688	8,752,347	9,294,645	4,380,756	380,010	25,806	14,081,217
Other assets	166,851	49,149	10,122	883,329	6,120,434	7,229,885	228,201	164,672	215,534	7,838,292
Total Assets	26,870,574	11,869,606	1,767,654	8,697,368	4,034,586	53,239,788	16,444,102	2,046,050	1,293,798	73,023,738
Resources from other credit institutions	1,130,799	3,247,241	-	8,090,387	(4,942,184)	7,526,243	1,453,138	104,139	289,661	9,373,181
Resources from customers	24,286,600	7,849,192	1,698,812	333,693	674,926	34,843,223	13,486,366	1,518,339	787,821	50,635,749
Debt securities issued	805,129	1,036	45,699	2,853	1,992,538	2,847,255	274,170	-	-	3,121,425
Other financial liabilities	-	-	-	-	1,423,843	1,423,843	187,802	-	4,442	1,616,087
Other liabilities	35,831	44,821	1,253	4,314	830,033	916,252	274,850	133,947	6,535	1,331,584
Total Liabilities	26,258,359	11,142,290	1,745,764	8,431,247	(20,844)	47,556,816	15,676,326	1,756,425	1,088,459	66,078,026
Equity and non-controlling interests	612,215	727,316	21,890	266,121	4,055,430	5,682,972	767,776	289,625	205,339	6,945,712
Total Liabilities, Equity and non-controlling interests	26,870,574	11,869,606	1,767,654	8,697,368	4,034,586	53,239,788	16,444,102	2,046,050	1,293,798	73,023,738
Number of employees	4,811	602	191	147	1,552	7,303	5,865	2,563	78	15,809

(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 June 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 June 2016, the net contribution of the major geographic segments, for the income statement, is analysed as follows:

	Portugal									(Thousands of Euros)
	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	262,580	187,640	14,629	80,682	52,722	598,253	258,359	105,952	2,912	965,476
Interest expense and similar charges	(72,909)	(46,680)	(7,090)	(63,117)	(41,190)	(230,986)	(96,883)	(36,146)	(657)	(364,672)
Net interest income	189,671	140,960	7,539	17,565	11,532	367,267	161,476	69,806	2,255	600,804
Commissions and other costs	187,774	80,551	16,715	5,056	(759)	289,337	79,039	32,706	14,039	415,121
Commissions and other costs	(6,487)	(3,080)	(216)	(16)	(93,550)	(103,349)	(53,707)	(12,697)	(2,813)	(172,566)
Net commissions and other income	181,287	77,471	16,499	5,040	(94,309)	185,988	25,332	20,009	11,226	242,555
Net gains arising from trading activity	(41)	-	-	23,893	52,021	75,873	87,805	17,581	1,564	182,823
Share of profit of associates under the equity method	-	-	-	-	34,763	34,763	-	-	2,953	37,716
Gains / (losses) arising from the sale of subsidiaries and other assets	2	-	-	-	(5,727)	(5,725)	1,175	61	9	(4,480)
Net operating revenue	370,919	218,431	24,038	46,498	(1,720)	658,166	275,788	107,457	18,007	1,059,418
Staff costs and administrative costs	241,303	47,839	7,509	10,632	(11,806)	295,477	111,806	39,444	11,844	458,571
Amortizations and depreciations	1,043	241	3	10	13,012	14,309	6,473	4,603	95	25,480
Operating expenses	242,346	48,080	7,512	10,642	1,206	309,786	118,279	44,047	11,939	484,051
Impairment for credit and financial assets	(36,841)	(271,545)	(922)	(302,623)	(142,680)	(754,611)	(22,799)	(12,744)	(520)	(790,674)
Other impairments and provisions	(45)	37	-	(5,811)	(12,499)	(18,318)	(8,190)	553	-	(25,955)
Net income / (loss) before income tax	91,687	(101,157)	15,604	(272,578)	(158,105)	(424,549)	126,520	51,219	5,548	(241,262)
Income tax	(27,033)	29,960	(4,603)	80,410	47,641	126,375	(33,026)	(14,351)	(697)	78,301
Income / (loss) after income tax from continuing operations	64,654	(71,197)	11,001	(192,168)	(110,464)	(298,174)	93,494	36,868	4,851	(162,961)
Income / (loss) arising from discontinued operations [2]	-	-	-	-	8,421	8,421	-	-	36,806	45,227
Net income / (loss) for the period	64,654	(71,197)	11,001	(192,168)	(102,043)	(289,753)	93,494	36,868	41,657	(117,734)
Non-controlling interests	-	-	-	-	1,080	1,080	(46,653)	(12,626)	(21,318)	(79,517)
Net income / (loss) for the period attributable to Shareholders	64,654	(71,197)	11,001	(192,168)	(100,963)	(288,673)	46,841	24,242	20,339	(197,251)

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

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:

	Jun 2017 Euros '000	Jun 2016 Euros '000
Net contribution:		
Retail banking in Portugal	89,219	64,654
Companies, Corporate and Investment banking	38,612	(71,197)
Private Banking	12,742	11,001
Non-core business portfolio	(77,706)	(192,168)
Foreign business (continuing operations) (1)	132,693	135,213
Non-controlling interests (2)	(51,417)	(80,597)
	144,143	(133,094)
Income from discontinued or discontinuing operations (3)	-	36,806
	144,143	(96,288)
Amounts not allocated to segments:		
Interests of hybrid instruments	(6,343)	(32,801)
Net interest income of the bond portfolio	20,773	18,382
Interests written off	10,922	(930)
Own credit risk	1,781	10,641
Foreign exchange activity	14,882	12,065
Equity accounted earnings	19,333	34,763
Impairment and other provisions (4)	(89,130)	(155,178)
Operational costs (5)	23,719	(1,206)
Gains on sale of public debt	3,070	(4,725)
Mandatory contributions	(57,862)	(51,711)
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)	24,316	47,641
Others (7)	(19,676)	(11,586)
Total not allocated to segments	(54,215)	(100,963)
Consolidated net income	89,928	(197,251)

(1) The net contribution of the Foreign Business (continuing operations) segment includes, in the first semester of 2016, the gain of Euros 64.6 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.

(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.

51. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally, in coordination with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to permanently ensure an adequate relationship between its own funds and the business it develops, as well as the corresponding evaluation of the risk/return profile by business line.

Under this scope, the monitoring and control of the main types of financial risks to which the Group's business is subject to – credit, market, liquidity and operational – is particularly relevant.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between these instruments and the respective volatilities.

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

Operational – Operational risk consists in the potential losses resulting from failures or inadequacies in internal procedures, persons or systems, and also in the potential losses resulting from external events.

Internal Organisation

Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval of the principles and rules of the highest level to be followed in risk management, as well as the guidelines dictating the allocation of capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at Group level and for each entity. The Board of Directors also approves the risk-tolerance level acceptable to the Group, proposed by its Executive Committee.

The Risk Committee is responsible for monitoring the overall levels of risk incurred, ensuring that these are compatible with the goals and strategies approved for the business.

The Chief Risk Officer is responsible for the control of risks in all Group entities, for the identification of all risks to which the Group activity is exposed and for the proposal of measures to improve risks control. The Chief Risk Officer also ensures that risks are monitored on an overall basis and that there is alignment of concepts, practices and goals in risk management.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Committee and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent to their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Chief Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems for monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention and repression of money laundering, combating financing of terrorism, prevention of conflicts of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk assessment

Credit Risk

Credit granting is based on a prior classification of the customers' risk and on a thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers that show a worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to a more active collateralization of loans and to a better adequacy of pricing regarding the risk incurred.

The gross Group's exposure to credit risk (original exposure) is presented in the following table:

Risk items	Jun 2017 Euros '000	Dec 2016 Euros '000
Central Governments or Central Banks	12,184,035	10,351,072
Regional Governments or Local Authorities	774,669	763,620
Administrative and non-profit Organisations	555,476	765,626
Multilateral Development Banks	18,818	17,968
Other Credit Institutions	2,936,463	3,024,895
Retail and Corporate customers	58,746,372	59,364,139
Other items	10,334,338	13,889,468
	85,550,171	88,176,788

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The Bank of Portugal applied for a group of templates to evaluate the risk associated to the loans portfolio and the calculation of the corresponding losses. Methodological notes regarding the following categories:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements of credit risk associated to those operations are considered in accordance with the rules and internal procedures that fulfil the requirements defined by the regulations in force, also reflecting the experience of the loans recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities with Risk Grade 7 or better on the Rating Master Scale;
- personal guarantees, when the persons are classified with Risk Grade 7 or better;
- credit derivatives.

The financial collaterals accepted are those that are traded in a recognized stock exchange, i.e., on an organized secondary market, liquid and transparent, with public bid-ask prices, located in countries of the European Union, United States, Japan, Canada, Hong Kong or Switzerland.

In this context, it is important to refer that the Bank's shares are not accepted as financial collaterals of new credit operations and are only accepted for the reinforcement of guarantees of existing credit operations, or in restructuring process associated to credit recoveries.

Regarding guarantees and credit derivatives, the substitution principle is applied by replacing the Risk Grade of the client by the Risk Grade of the guarantor, if the Risk of Grade Degree of the guarantor is better than the client's, when:

- State, Financial Institutions or Mutual Guarantee Societies guarantees exist;
- personal guarantees (or, in the case of Leasing, an adhering contracting party);
- the mitigation is effective through credit derivatives.

An internal level of protection is attributed to all credit operations at the moment of the credit granting decision, considering the credit amount as well as the value and type of the collaterals involved. The protection level corresponds to the loss reduction in case of default that is linked to the various collateral types, considering their market value and the amount of the associated exposure.

In the case of financial collaterals, adjustments are made to the protection value by the use of a set of haircuts, in order to reflect the price volatility of the financial instruments.

In the case of real estate mortgages, the initial appraisal of the real estate value is done during the credit analysis and decision process.

Either the initial evaluations or the subsequent reviews carried out are performed by external expert valuers and the ratification process is centralized in the Appraisals Unit, which is independent of the clients' areas.

There is always a written report, in a standardized digital format, based on a group of predefined methods that are aligned with the sector practices – income, replacement cost and/or market comparative - mentioning the obtained value, for both the market value and for purposes of the mortgage guarantee, depending on the type of the real estate. The evaluations have a declaration/certification of an expert valuer since 2008, as requested by Notice n.5/2007 of Bank of Portugal and are ratified by the Appraisals Unit.

Regarding residential real estate, after the initial valuation and in accordance with Notices n. 5/2006 and n.5/2007 of Bank of Portugal, the Bank monitors the respective values through market indexes. If the index is lower than 0.9, the Bank revaluates choosing one of the following three methods:

i) - depreciation of the property by direct application of the index, if the amount owed does not exceed 70% of the revised collateral;
ii) - review based on recent reviews, geographically close, certified by internal expert;
iii) - review of the property value by external valuators, depending on the value of the credit operation, and in accordance with established standards.

For all non-residential real estate, the Bank also monitors its values through market indexes and to the regular valuation reviews in accordance with the Notice n.5/2007 of Bank of Portugal, in the case of offices, warehouses and industrial premises.

For all real estate (residential or non-residential) for which the monitoring result in significant devaluation of the real estate value (more than 10%), a valuation review is subsequently carried out by an expert valuer.

For the remaining real estate (land, commercial real estate or country side buildings for example) there are no market indexes available for the monitoring of appraisal values, after the initial valuations. Therefore, for these cases and in accordance with the minimum periodicity established for the monitoring and reviewing of this type of real estate, valuation reviews are carried out by expert valuers.

The indexes currently used are supplied to the Bank by an external specialized entity that, for more than a decade, has been collecting and processing the data upon which the indexes are built.

In the case of financial collaterals, their market value is daily and automatically updated, through the IT connection between the collaterals management system and the relevant financial markets data.

b) Risk grades

Credit granting is based on the previous risk assessment of clients and also on a rigorous assessment of the protection level provided by the underlying collaterals. For this purpose, a single risk grading system is used - the Rating Master Scale - based on Probability of Default (PD), allowing for a greater discriminating power in clients assessment and for a better hierarchy of the associated risk. The Rating Master Scale also allows to identify clients that show signs of degradation in their credit capacity and, in particular, those that are classified in a default situation. All rating systems and models used by the Group were calibrated for the Rating Master Scale.

Aiming at an adequate assessment of credit risk, the Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the risk grades of the Master Scale, that has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms default, as risk grade 15 is a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies- and are reviewed/updated periodically or whenever this is justified by events.

The models within the various rating systems are regularly subject to validation, made by the Models Validation and Monitoring Office, which is independent from the units that are responsible for the development and maintenance of the rating models.

The conclusions of the validations by the Models Validation and Monitoring Office, as well the respective recommendations and proposal for changes and/or improvements, are analysed and ratified by a specific Validation Committee, composed in accordance to the type of model analysed. The proposals for models' changes originated by the Validation Committee are submitted to the approval of the Risk Committee.

c) Impairment and Write-offs

In order to align with the international best practices in this area, the credit impairment calculation within BCP Group integrates the general principles defined by IAS 39 and the guidelines issued by the Bank of Portugal through "Carta-Circular 2/2014 / DSP".

This process is based, as far as possible, on the concepts and the data used in capital requirements calculation according to the Internal Ratings Based Approach (IRB), in order to maximize the synergies between the two processes.

There are three components to be considered in impairment calculation, according to the risk of the customers' exposure and whether there is objective evidence of impairment:

- Individual analysis for customers with high exposure and risk;
- Collective analysis for customers in default or considered at high risk, not included in individual analysis;
- Collective analysis of customers not in default, non-high risk or without enough evidence of impairment, as a result of individual analysis (IBNR - Incurred But Not Reported component).

Customers in one of the following conditions are submitted to individual analysis:

<u>Customers in default</u>

i) Customers in insolvency or under legal proceedings provided that the total exposure of the group's customers in these situations exceed Euros 1 million;
ii) Customers rated "15" integrated in groups with exposure above Euros 5 million;

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

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

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

iv) Other customers integrating groups under the above conditions;
v) Groups or customers with exposure above Euros 5 million having restructured credits and rated "13";
vi) Groups or Customers with exposure above Euros 10 million, provided that some pre-defined impairment soft signs exist;
vii) Groups or Customers not included in the preceding paragraphs, with exposure above Euros 25 million.

Other customers, that do not meet the criteria above, will also be subject to individual analysis if under the following conditions:

i) Have impairment as a result of the latest individual analysis; or
ii) According to recent information, show a significant deterioration in risk levels; or
iii) are Special Vehicle Investment (SPV);

Individual analysis includes the following procedures:

- For customers without impairment signs, analysis of a set of financial difficulties indicators, in order to conclude if the customer has objective impairment signs;
- For customers with impairment signs and for those in which objective evidence of impairment is identified in the above mentioned preliminary analysis, loss estimation.

Customers included in individually analysis are subject to a regular process of assigning an expectation of recovery of the totality of their exposure and of the expected period for such recovery, and the impairment value of each customer should be supported, mainly in the prospects of receiving monetary, financial or physical assets and in the forecasted period for those receipts.

This process is carried out by recovery areas or by the Credit Division, supported by all the relevant elements for the calculation of impairment, including the following ones:

- economic and financial data, based on the most recent financial statements of the customer;
- qualitative data, characterizing the customer's situation, particularly with regard to the economic viability of the business;
- estimated cash flows for the clients on an ongoing basis;
- customers credit experience with the Bank and with the Financial System.

Each of the aforementioned units is responsible for assigning an expectation and a recovery period to the exposures relating to clients subject to individual analysis, which must be transmitted to the Risk Office in the context of the regular process of collection of information, accompanied by detailed justification of the impairment proposal.

The Risk Office is responsible for reviewing the information collected and for clarifying all identified inconsistencies, and it is the final decision on the client's impairment.

For the purpose of individual analysis, information on collaterals and guarantees plays an important role, mainly for real estate companies and whenever the viability of the customer’s business is weak.

The Bank takes a conservative approach concerning collaterals, working with haircuts that incorporate the risk of assets devaluation, the sale and maintenance costs and the required time for sale.

For each client, the impairment is calculated as the difference between the exposure and the sum of the expected cash-flows of all the businesses, discounted at the effective interest rate of each operation.

Credits to customers that are not individually analysed are grouped according to their risk characteristics, and impairment is based on homogenous populations, assuming a one-year emergence period (or loss identification period).

For the calculation of the impairment by homogeneous population is used the following formula: Colective impairment = EAD * PD * LGD.

in which EAD represents the client's credit exposure, PD represents the probability of a customer going into default in the period of recognition of the loss and LGD represents the loss associated with a customer in default taking into account the time of default.

For the calculation of PD, the homogeneous populations result from the following factors:

- Customer segment for rating purposes (according to the corresponding rating model);
- Risk bucket, depending on customer current status (different probabilities of default correspond to the several buckets).

For the calculation of LGD, the homogeneous populations result from the following factors:

- Customer segment;
- Defaulted period;
- LTV (Loan to Value) for exposures collateralized by real estate.

LGD estimation is mainly based on the following components:
- a priori definition of the possible recovery scenarios;
- historical information about the Bank’s recovery processes, mainly regarding incurred losses and the probabilities associated to each of the recovery scenarios;
- direct and indirect costs associated to the recovery processes;
- discounted rate to be used in the discount of the cash-flows to the date of default;
- collaterals associated to each loan.

The criteria and the concepts underlying the definition of the above mentioned homogeneous populations are in line with the ones used for capital requirements (IRB) purposes.

The results of the impairment calculation process are the subject of accounting. In accordance with "Carta-Circular 15/2009" from the Bank of Portugal, write-offs take place whenever there are no realistic expectations of recovery; hence, when impairment reaches 100%, credits shall be considered as uncollectible. However, even if a credit not yet has an impairment of 100% can also be classified as uncollectible, provided there are no recovery expectations. It is noteworthy that all of the described procedures and methodologies are subject to internal regulations superiorly approved, concerning impairment, credit granting and monitoring and non-performing credit treatment.

The following tables detail the exposures and impairment by segment, as at 30 June 2017. The data presented includes the irrevocable credit lines, guarantees and commitments:

	Exposure Jun 2017					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which "cured" (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and CRE (*)	6,507,391	4,800,562	34,752	540,796	1,706,829	638,722
Companies-Other Activities	20,320,347	18,664,605	131,999	942,216	1,655,742	673,835
Mortgage loans	23,838,868	22,679,889	174,063	633,782	1,158,979	331,017
Individuals - Others	4,752,501	4,122,633	8,926	140,838	629,868	243,384
Other loans	3,227,530	2,610,521	293	575,445	617,009	309,807
Total	58,646,637	52,878,210	350,033	2,833,077	5,768,427	2,196,765

	Impairment Jun 2017		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and CRE (*)	984,585	200,243	784,342
Companies-Other Activities	1,206,331	398,580	807,751
Mortgage loans	288,088	48,212	239,876
Individuals - Others	458,244	92,153	366,091
Other loans	808,131	453,988	354,143
Total	3,745,379	1,193,176	2,552,203

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

The following tables detail the exposures and impairment by segments, as at 31 December 2016. The data presented includes the irrevocable credit lines, guarantees and commitments:

	Exposure Dec 2016					
		Performing loans			Non-performing loans	
Segment	Total Exposure Euros '000	Total Euros '000	Of which "cured" (a) Euros '000	Of which restructured (b) Euros '000	Total Euros '000	Of which restructured Euros '000
Construction and CRE	6,748,292	5,042,462	204,762	551,913	1,705,830	601,521
Companies-Other Activities	20,291,371	18,394,499	216,646	1,124,187	1,896,872	668,235
Mortgage loans	24,103,692	22,768,643	196,672	666,056	1,335,049	352,006
Individuals - Others	4,664,975	3,963,339	28,110	153,607	701,636	261,274
Other loans	2,971,136	2,501,615	76,775	381,303	469,521	299,469
Total	58,779,466	52,670,558	722,965	2,877,066	6,108,908	2,182,505

	Impairment Dec 2016		
Segment	Total Impairment Euros '000	Performing loans Euros '000	Non-performing loans Euros '000
Construction and CRE	968,978	198,499	770,479
Companies-Other Activities	1,462,086	512,074	950,012
Mortgage loans	316,314	49,844	266,470
Individuals - Others	513,351	93,196	420,155
Other loans	608,178	269,729	338,449
Total	3,868,907	1,123,342	2,745,565

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

The following tables include the detail of the exposure of non-performing loans and impairment respectively by segment, as at 30 June 2017:

	Exposure Jun 2017					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	6,507,391	3,781,766	939,004	4,720,770	534,295	1,172,534
Companies-Other Activities	20,320,347	16,353,178	1,189,766	17,542,944	270,320	1,385,422
Mortgage loans	23,838,868	22,046,832	450,829	22,497,661	77,235	1,081,744
Individuals - Others	4,752,501	3,924,494	148,010	4,072,504	103,577	526,292
Other loans	3,227,530	1,848,292	703,633	2,551,925	124,410	492,599
Total	58,646,637	47,954,562	3,431,242	51,385,804	1,109,837	4,658,591

	Impairment Jun 2017				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90 (*)	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	984,585	196,211	4,032	224,427	559,915
Companies-Other Activities	1,206,331	299,254	99,327	109,614	698,136
Mortgage loans	288,088	38,948	9,264	14,113	225,763
Individuals - Others	458,244	77,126	15,028	34,908	331,182
Other loans	808,131	418,102	35,886	34,863	319,280
Total	3,745,379	1,029,641	163,537	417,925	2,134,276

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

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

	Exposure Dec 2016					
		Performing loans			Non-performing loans	
	Total	Days past due <30			Days past due	
	Exposure	Without evidence	With evidence	Total	<=90 (*)	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	6,748,292	4,060,773	896,062	4,956,835	563,519	1,142,312
Companies-Other Activities	20,291,371	15,693,300	1,893,076	17,586,376	333,054	1,563,818
Mortgage loans	24,103,692	22,058,813	519,822	22,578,635	71,029	1,264,020
Individuals - Others	4,664,975	3,721,530	176,385	3,897,915	110,511	591,125
Other loans	2,971,136	1,996,372	498,510	2,494,882	38,251	431,271
Total	58,779,466	47,530,788	3,983,855	51,514,643	1,116,364	4,992,546

	Impairment Dec 2016				
		Performing loans		Non-performing loans	
	Total	Days past due	Days past due	Days past due	Days past due
	Impairment	<30	between 30-90	<=90	>90
Segment	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Construction and CRE	968,978	194,988	3,511	229,196	541,283
Companies-Other Activities	1,462,086	499,588	12,486	134,998	815,014
Mortgage loans	316,314	39,239	10,604	12,160	254,311
Individuals - Others	513,351	70,563	22,633	46,757	373,398
Other loans	608,178	269,212	516	14,614	323,836
Total	3,868,907	1,073,590	49,750	437,725	2,307,842

(*) Credit with capital instalments or interest overdue for less than 90 days, but for which there is evidence to justify its classification as credit at risk, namely bankruptcy or liquidation of the debtor, among others.

The tables disclosed above do not include exposure related to performing loans with past due between 30 and 90 days.

As at 30 June 2017, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	Jun 2017					
Year of production	Construction and CRE	Companies - Other Activities	Mortgage loans	Individuals - Others	Other loans	Total
2006 and previous						
Number of operations	12,577	23,982	230,797	467,094	572	735,022
Value (Euros '000)	900,650	2,784,756	8,763,291	467,016	72,847	12,988,560
Impairment constituted (Euros '000)	129,114	82,916	98,765	39,828	6,006	356,629
2007						
Number of operations	2,124	3,988	72,160	82,967	102	161,341
Value (Euros '000)	296,079	934,261	3,957,054	122,604	129,588	5,439,586
Impairment constituted (Euros '000)	60,368	57,169	50,030	11,929	83,012	262,508
2008						
Number of operations	2,565	4,954	52,586	93,550	134	153,789
Value (Euros '000)	545,786	743,984	3,066,613	127,292	81,124	4,564,799
Impairment constituted (Euros '000)	71,796	37,797	41,468	14,620	9,851	175,532
2009						
Number of operations	2,555	4,294	20,865	84,977	114	112,805
Value (Euros '000)	317,034	760,933	1,073,965	99,762	96,099	2,347,793
Impairment constituted (Euros '000)	28,385	18,493	17,704	12,580	714	77,876
2010						
Number of operations	2,444	5,095	22,791	111,261	155	141,746
Value (Euros '000)	335,286	473,947	1,185,073	118,401	77,288	2,189,995
Impairment constituted (Euros '000)	25,277	22,321	8,096	14,142	13,181	83,017
2011						
Number of operations	2,390	7,107	14,932	127,383	155	151,967
Value (Euros '000)	249,654	690,717	715,450	142,476	30,068	1,828,365
Impairment constituted (Euros '000)	25,355	40,831	3,966	14,825	7,884	92,861
2012						
Number of operations	2,369	8,966	12,175	134,955	180	158,645
Value (Euros '000)	241,372	727,131	529,322	135,659	33,500	1,666,984
Impairment constituted (Euros '000)	16,323	73,035	4,449	13,218	2,367	109,392
2013						
Number of operations	3,286	13,276	12,797	178,819	334	208,512
Value (Euros '000)	274,254	1,151,986	612,461	249,271	403,820	2,691,792
Impairment constituted (Euros '000)	24,758	30,563	6,230	28,066	23,933	113,550
2014						
Number of operations	3,788	19,758	9,386	205,589	452	238,973
Value (Euros '000)	389,897	1,664,205	512,098	377,083	320,318	3,263,601
Impairment constituted (Euros '000)	8,153	47,940	4,775	36,493	17,961	115,322
2015						
Number of operations	4,993	26,117	10,859	282,307	711	324,987
Value (Euros '000)	390,835	2,645,569	691,803	693,186	410,654	4,832,047
Impairment constituted (Euros '000)	28,482	75,529	2,682	40,184	100,814	247,691
2016						
Number of operations	5,475	33,892	14,704	306,583	915	361,569
Value (Euros '000)	666,999	3,079,743	990,464	1,013,405	442,865	6,193,476
Impairment constituted (Euros '000)	26,060	50,455	3,524	24,318	7,938	112,295
2017						
Number of operations	5,434	91,475	11,930	162,098	1,157	272,094
Value (Euros '000)	612,350	2,918,294	854,936	739,738	248,914	5,374,232
Impairment constituted (Euros '000)	7,897	20,446	3,152	10,381	12,585	54,461
Total						
Number of operations	50,000	242,904	485,982	2,237,583	4,981	3,021,450
Value (Euros '000)	5,220,196	18,575,526	22,952,530	4,285,893	2,347,085	53,381,230
Impairment constituted (Euros '000)	451,968	557,495	244,841	260,584	286,246	1,801,134

As at 31 December 2016, the following table includes the loans portfolio by segment and by year of production (date of the beginning of the operations, in the portfolio at the date of balance sheet - it does not include restructured loans):

	Dec 2016					
Year of production	**Construction and CRE**	**Companies - Other Activities**	**Mortgage loans**	**Individuals - Others**	**Other loans**	**Total**
2006 and previous						
Number of operations	13,954	27,200	238,932	495,381	612	776,079
Value (Euros '000)	987,187	2,950,498	9,274,646	510,746	93,713	13,816,790
Impairment constituted (Euros '000)	153,796	124,394	116,516	54,484	5,822	455,012
2007						
Number of operations	2,510	4,937	74,381	89,737	105	171,670
Value (Euros '000)	340,607	988,410	4,139,184	138,278	133,037	5,739,516
Impairment constituted (Euros '000)	64,934	68,366	55,587	18,953	82,562	290,402
2008						
Number of operations	3,068	5,871	53,873	101,624	119	164,555
Value (Euros '000)	584,715	852,956	3,217,980	142,400	128,754	4,926,805
Impairment constituted (Euros '000)	70,834	72,220	42,295	22,102	11,880	219,331
2009						
Number of operations	3,040	5,011	21,614	92,642	123	122,430
Value (Euros '000)	345,427	860,420	1,130,253	111,509	124,445	2,572,054
Impairment constituted (Euros '000)	29,742	20,960	18,976	17,008	15,803	102,489
2010						
Number of operations	2,881	5,868	23,711	122,176	159	154,795
Value (Euros '000)	418,951	498,879	1,230,618	123,635	92,606	2,364,689
Impairment constituted (Euros '000)	24,085	30,112	8,578	14,556	12,872	90,203
2011						
Number of operations	2,820	8,792	15,503	139,078	155	166,348
Value (Euros '000)	263,864	731,191	732,335	145,005	30,794	1,903,189
Impairment constituted (Euros '000)	24,632	61,294	3,957	14,247	7,942	112,072
2012						
Number of operations	2,705	10,805	12,688	146,103	221	172,522
Value (Euros '000)	248,257	872,458	538,325	144,676	48,516	1,852,232
Impairment constituted (Euros '000)	14,801	75,056	4,207	12,702	3,388	110,154
2013						
Number of operations	3,854	16,364	13,289	192,661	405	226,573
Value (Euros '000)	326,763	1,261,752	633,521	288,250	473,537	2,983,823
Impairment constituted (Euros '000)	22,111	40,362	6,127	26,632	7,676	102,908
2014						
Number of operations	4,242	22,475	9,756	226,808	559	263,840
Value (Euros '000)	401,286	2,020,901	529,641	438,920	348,371	3,739,119
Impairment constituted (Euros '000)	21,645	46,060	5,110	33,894	19,369	126,078
2015						
Number of operations	5,267	27,642	11,119	306,969	840	351,837
Value (Euros '000)	591,962	3,054,775	719,689	785,720	384,592	5,536,738
Impairment constituted (Euros '000)	28,876	119,317	2,845	34,598	35,669	221,305
2016						
Number of operations	7,913	60,938	13,618	300,805	2,028	385,302
Value (Euros '000)	883,234	4,173,631	1,008,641	1,298,497	732,708	8,096,711
Impairment constituted (Euros '000)	25,776	39,645	3,696	20,123	7,682	96,922
Total						
Number of operations	52,254	195,903	488,484	2,213,984	5,326	2,955,951
Value (Euros '000)	5,392,253	18,265,871	23,154,833	4,127,636	2,591,073	53,531,666
Impairment constituted (Euros '000)	481,232	697,786	267,894	269,299	210,665	1,926,876

As at 30 June 2017, the following tables include the details of the loans portfolio subject to individual and collective impairment by segment, sector and geography:

	Jun 2017					
	Exposure			Impairment		
Segment	Individual Euros '000	Collective (*) Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Construction and CRE	2,202,490	4,304,901	6,507,391	814,982	169,603	984,585
Companies - Other Activities	2,625,547	17,694,800	20,320,347	958,445	247,886	1,206,331
Mortgage loans	62,548	23,776,320	23,838,868	22,170	265,918	288,088
Individuals - Others	113,172	4,639,329	4,752,501	56,223	402,021	458,244
Other loans	1,608,064	1,619,466	3,227,530	790,613	17,518	808,131
Total	6,611,821	52,034,816	58,646,637	2,642,433	1,102,946	3,745,379

	Jun 2017					
	Exposure			Impairment		
Sector	Individual Euros '000	Collective (*) Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Loans to Individuals	168,055	26,980,695	27,148,750	74,713	625,092	699,805
Manufacturing	285,534	4,408,193	4,693,727	117,470	67,130	184,600
Construction	1,048,808	2,198,086	3,246,894	442,780	110,733	553,513
Commerce	185,845	4,657,575	4,843,420	80,707	132,485	213,192
Real Estate Promotion	580,973	680,583	1,261,556	177,657	13,063	190,720
Other Services	3,542,234	10,248,758	13,790,992	1,595,521	123,146	1,718,667
Other Activities	800,372	2,860,926	3,661,298	153,585	31,297	184,882
Total	6,611,821	52,034,816	58,646,637	2,642,433	1,102,946	3,745,379

	Jun 2017					
	Exposure			Impairment		
Geography	Individual Euros '000	Collective (*) Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Portugal	5,943,667	37,572,713	43,516,380	2,498,177	787,138	3,285,315
Mozambique	144,804	1,246,017	1,390,821	53,291	55,283	108,574
Poland	177,871	13,216,086	13,393,957	88,746	260,525	349,271
Switzerland	345,479	-	345,479	2,219	-	2,219
Total	6,611,821	52,034,816	58,646,637	2,642,433	1,102,946	3,745,379

As at 31 December 2016, the following table includes the details of the loans portfolio subject to individual and collective impairment by segment:

	Dec 2016					
	Exposure			Impairment		
Segment	Individual Euros '000	Collective (*) Euros '000	Total Euros '000	Individual Euros '000	Collective Euros '000	Total Euros '000
Construction and CRE	2,119,430	4,628,862	6,748,292	758,593	210,385	968,978
Companies - Other Activities	3,185,584	17,105,787	20,291,371	1,152,849	309,237	1,462,086
Mortgage loans	73,302	24,030,390	24,103,692	22,330	293,984	316,314
Individuals - Others	124,418	4,540,557	4,664,975	66,963	446,388	513,351
Other loans	1,303,921	1,667,215	2,971,136	585,872	22,306	608,178
Total	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(*) The Collective Exposure column includes the credits under individual analysis for which the Group concluded that there is no objective evidence of impairment, and therefore recognised as incurred but not reported losses (IBNR) on a collective basis.

As at 31 December 2016, the following tables include the details of the loans portfolio subject to individual and collective impairment, by sector and geography:

	Dec 2016					
	Exposure			Impairment		
	Individual	Collective (*)	Total	Individual	Collective	Total
Sector	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Loans to Individuals	189,387	27,089,364	27,278,751	85,368	684,960	770,328
Manufacturing	260,843	4,117,389	4,378,232	98,174	87,593	185,767
Construction	990,647	2,379,746	3,370,393	400,294	134,501	534,795
Commerce	192,188	4,576,106	4,768,294	67,719	171,453	239,172
Real Estate Promotion	572,232	749,161	1,321,393	158,805	12,299	171,104
Other Services	3,745,051	10,060,467	13,805,518	1,607,959	158,625	1,766,584
Other Activities	856,307	3,000,578	3,856,885	168,288	32,869	201,157
Total	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

	Dec 2016					
	Exposure			Impairment		
	Individual	Collective (*)	Total	Individual	Collective	Total
Geography	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000	Euros '000
Portugal	6,130,870	38,100,228	44,231,098	2,458,327	1,004,630	3,462,957
Mozambique	105,654	1,375,707	1,481,361	38,115	50,696	88,811
Poland	197,002	12,496,876	12,693,878	88,094	226,974	315,068
Switzerland	373,129	-	373,129	2,071	-	2,071
Total	6,806,655	51,972,811	58,779,466	2,586,607	1,282,300	3,868,907

(*) The Collective Exposure column includes the credits under individual analysis for which the Group concluded that there is no objective evidence of impairment, and therefore recognised as incurred but not reported losses (IBNR) on a collective basis.

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

	Jun 2017	Dec 2016
	Euros '000	Euros '000
Balance on 1 January	5,059,571	5,440,684
Transfers resulted from structure changes (*)	-	(71,197)
Restructured loans in the period	483,075	888,271
Accrued interests of the restructured portfolio	33,048	7,383
Settlement restructured credits (partial or total)	(332,713)	(684,603)
Reclassified loans from restructured to normal	(133,256)	(299,580)
Others	(79,883)	(221,387)
Balance at the end of the period	5,029,842	5,059,571

(*) Banco Millennium Angola, S.A.

As at 30 June 2017, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	Jun 2017					
	Construction and Commercial Real Estate		Companies-Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**
< 0.5 M€						
Number	8,839	6,224	11,949	53,772	396,222	448
Value (Euros '000)	978,967	166,924	1,592,557	1,330,804	43,114,623	22,965
>= 0.5 M€ and < 1 M€						
Number	542	47	1,262	252	2,035	6
Value (Euros '000)	368,736	29,662	872,364	173,200	1,309,792	3,525
>= 1 M€ and < 5 M€						
Number	396	42	1,012	255	279	1
Value (Euros '000)	786,099	77,348	2,004,555	503,438	413,976	1,829
>= 5 M€ and < 10 M€						
Number	56	1	110	24	3	-
Value (Euros '000)	374,315	5,182	756,005	183,426	15,390	-
>= 10 M€ and < 20 M€						
Number	35	3	71	15	-	-
Value (Euros '000)	528,207	40,650	964,924	215,513	-	-
>= 20 M€ and < 50 M€						
Number	10	-	25	12	-	-
Value (Euros '000)	288,648	-	806,695	307,435	-	-
>= 50 M€						
Number	5	-	9	6	-	-
Value (Euros '000)	308,071	-	871,935	985,733	-	-
Total						
Number	9,883	6,317	14,438	54,336	398,539	455
Value (Euros '000)	3,633,043	319,766	7,869,035	3,699,549	44,853,781	28,319

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 31 December 2016, the following table includes the fair value of the collaterals (not limited by the value of the collateral) associated to the loans portfolio by segments Construction and CRE, Companies - Other Activities and Mortgage loans:

	Dec 2016					
	Construction and Commercial Real Estate		Companies - Other Activities		Mortgage loans	
Fair Value	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**	**Real Estate**	**Other Collateral (*)**
< 0.5 M€						
Number	9,122	6,118	11,425	50,211	406,843	447
Value (Euros '000)	1,037,511	101,234	1,576,589	549,682	44,361,715	22,468
>= 0.5 M€ and < 1 M€						
Number	582	48	1,233	254	2,048	4
Value (Euros '000)	390,326	26,845	858,829	140,359	1,317,158	2,506
>= 1 M€ and < 5 M€						
Number	417	44	1,055	223	274	1
Value (Euros '000)	804,227	55,103	2,069,466	367,380	407,943	1,824
>= 5 M€ and < 10 M€						
Number	52	3	110	18	6	-
Value (Euros '000)	314,635	6,148	745,492	120,051	32,022	-
>= 10 M€ and < 20 M€						
Number	41	3	72	11	2	-
Value (Euros '000)	586,963	15,950	987,617	151,649	26,807	-
>= 20 M€ and < 50 M€						
Number	11	-	25	12	-	-
Value (Euros '000)	339,336	-	834,071	310,046	-	-
>= 50 M€						
Number	3	-	9	5	-	-
Value (Euros '000)	221,017	-	763,086	913,612	-	-
Total						
Number	10,228	6,216	13,929	50,734	409,173	452
Value (Euros '000)	3,694,015	205,280	7,835,150	2,552,779	46,145,645	26,798

(*) Includes, namely, securities, deposits and fixed assets pledges.

As at 30 June 2017, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

	Jun 2017			
Segment/Ratio	**Number of properties**	**Performing loans Euros '000**	**Non-performing loans Euros '000**	**Impairment Euros '000**
Construction and CRE				
Without associated collateral	n.a.	2,577,958	616,627	347,833
<60%	9,843	624,891	59,919	29,527
>=60% and <80%	2,887	263,731	117,068	30,061
>=80% and <100%	2,599	427,388	123,966	71,608
>=100%	39,564	906,594	789,249	505,556
Companies - Other Activities				
Without associated collateral	n.a.	13,291,050	833,387	604,298
<60%	41,667	1,719,684	109,770	111,393
>=60% and <80%	14,894	1,155,763	97,773	59,057
>=80% and <100%	11,744	804,411	167,998	76,882
>=100%	7,856	1,693,697	446,814	354,701
Mortgage loans				
Without associated collateral	n.a.	232,822	12,035	9,050
<60%	261,599	8,557,441	134,255	21,904
>=60% and <80%	138,809	7,578,246	171,567	20,966
>=80% and <100%	77,247	4,290,615	253,106	33,663
>=100%	37,735	2,020,766	588,015	202,505

As at 31 December 2016, the following table includes the LTV ratio by segments Construction and Commercial Real Estate (CRE), Companies - Other Activities and Mortgage loans:

	Dec 2016			
Segment/Ratio	**Number of properties**	**Performing loans Euros '000**	**Non-performing loans Euros '000**	**Impairment Euros '000**
Construction and CRE				
Without associated collateral	n.a.	2,623,640	572,377	335,981
<60%	9,440	651,488	62,593	31,177
>=60% and <80%	3,558	376,367	148,279	48,787
>=80% and <100%	2,290	432,887	92,814	68,083
>=100%	39,362	958,081	829,766	484,950
Companies - Other Activities				
Without associated collateral	n.a.	12,993,008	1,062,494	707,851
<60%	36,660	1,830,677	115,842	105,523
>=60% and <80%	13,370	1,075,359	101,104	58,065
>=80% and <100%	10,516	697,979	122,288	48,271
>=100%	8,500	1,797,476	495,144	542,376
Mortgage loans				
Without associated collateral	n.a.	80,268	8,283	6,719
<60%	257,170	8,287,300	143,948	20,873
>=60% and <80%	137,791	7,462,388	185,475	18,938
>=80% and <100%	81,980	4,520,200	291,601	34,685
>=100%	43,992	2,418,488	705,741	235,099

As at 30 June 2017, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

	Jun 2017					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000
Land						
Urban	611,570	547,300	337,430	337,430	949,000	884,730
Rural	15,975	12,890	4,247	4,247	20,222	17,137
Buildings in development						
Commercials	6,542	5,443	44,631	44,631	51,173	50,074
Mortgage loans	66,639	59,192	-	-	66,639	59,192
Others	739	739	-	-	739	739
Constructed buildings						
Commercials	432,049	377,219	41,146	41,146	473,195	418,365
Mortgage loans	733,582	639,630	20,956	20,956	754,538	660,586
Others	2,340	2,250	6,601	6,601	8,941	8,851
Others	-	-	3,929	3,929	3,929	3,929
Total	1,869,436	1,644,663	458,940	458,940	2,328,376	2,103,603

As at 30 June 2017, the following table includes the accounting net value of the properties arising from recovered loans, by aging:

	Jun 2017					
		Past due since the lieu / execution				
Asset	Number of properties	<1 year Euros '000	>=1 year and <2,5 years Euros '000	>=2,5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
Land						
Urban	2,250	185,870	294,736	148,826	255,298	884,730
Rural	213	8,169	5,547	1,334	2,087	17,137
Buildings in development						
Commercials	73	81	191	47,877	1,925	50,074
Mortgage loans	460	3,276	30,666	15,099	10,151	59,192
Others	2	-	677	-	62	739
Constructed buildings						
Commercials	2,121	97,581	43,515	165,402	111,866	418,364
Mortgage loans	7,582	326,811	202,011	79,966	51,799	660,587
Others	19	1,950	182	5,124	1,595	8,851
Others	3	-	3,929	-	-	3,929
Total	12,723	623,738	581,454	463,628	434,783	2,103,603

As at 31 December 2016, the following table includes the fair value and the accounting net value of the properties arising from recovered loans, by asset and aging:

	Dec 2016					
	Assets arising from recovered loans results (note 27)		Assets belong to investments funds and real estate companies (note 27)		Total	
Asset	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000	Value of the asset Euros '000	Book value Euros '000
Land						
Urban	652,374	574,518	400,618	400,618	1,052,992	975,136
Rural	15,523	12,021	-	-	15,523	12,021
Buildings in development						
Commercials	-	-	44,634	44,634	44,634	44,634
Others	674	674	-	-	674	674
Constructed buildings						
Commercials	239,084	207,589	41,855	41,855	280,939	249,444
Mortgage loans	749,929	649,284	24,417	24,417	774,346	673,701
Others	178,912	150,934	6,643	6,643	185,555	157,577
Others	-	-	3,817	3,817	3,817	3,817
Total	1,836,496	1,595,020	521,984	521,984	2,358,480	2,117,004

As at 31 December 2016, the following table includes accounting net value of the properties arising from recovered loans, by aging:

	Dec 2016					
		Past due since the lieu / execution				
Asset	Number of properties	<1 year Euros '000	>=1 year and <2.5 years Euros '000	>=2.5 years and <5 years Euros '000	>=5 years Euros '000	Total Euros '000
Land						
Urban	2,358	271,988	212,774	142,385	347,989	975,136
Rural	188	7,209	1,527	920	2,365	12,021
Buildings in development						
Commercials	2	-	-	-	44,634	44,634
Others	2	617	-	-	57	674
Constructed buildings						
Commercials	1,695	33,848	65,991	79,047	70,558	249,444
Mortgage loans	7,609	343,610	178,169	79,199	72,723	673,701
Others	406	18,082	26,612	65,203	47,680	157,577
Others	3	-	-	-	3,817	3,817
Total	12,263	675,354	485,073	366,754	589,823	2,117,004

As at 30 June 2017, the following table includes the distribution of the loans portfolio by degrees of internal risk, attributable in Portugal and Poland:

	Jun 2017					
	Segments					Euros '000
Degrees of risk	**Construction and CRE**	**Companies Other Activities**	**Mortgage loans**	**Individuals Others**	**Other loans**	**Total**
Higher quality						
1	-	6	-	-	-	6
2	2,622	29,447	4,212,678	380,013	35	4,624,795
3	14,481	755,232	5,869,346	148,002	450	6,787,511
4	66,585	2,009,694	3,304,773	471,316	26,520	5,878,888
5	126,663	1,718,719	2,281,922	521,981	289,124	4,938,409
6	382,547	2,627,824	1,565,213	484,082	11,776	5,071,442
Average quality						
7	290,588	1,841,864	1,076,126	477,885	100,947	3,787,410
8	341,965	2,155,793	752,747	414,223	77,008	3,741,736
9	320,960	1,603,406	764,845	294,366	127,830	3,111,407
Lower quality						
10	723,396	1,034,199	556,626	179,520	203,065	2,696,806
11	185,982	620,200	436,103	135,235	8,434	1,385,954
12	552,223	1,717,077	896,541	233,585	144,881	3,544,307
Procedural						
13	56,344	69,875	177,094	46,190	1,450	350,953
14	38,030	103,135	83,591	27,966	10,540	263,262
15	2,507,879	2,877,379	1,676,071	723,206	1,144,119	8,928,654
Not classified (without degree of risk)	356,323	1,142,552	168,704	35,382	95,836	1,798,797
Total	5,966,588	20,306,402	23,822,380	4,572,952	2,242,015	56,910,337

As at 31 December 2016, the following table includes the distribution of the loans portfolio by degrees of internal risk, attributable in Portugal and Poland:

	Dec 2016					
	Segments					Euros '000
Degrees of risk	**Construction and CRE**	**Companies Other Activities**	**Mortgage loans**	**Individuals Others**	**Other loans**	**Total**
Higher quality						
1	-	2	-	-	-	2
2	2,033	19,519	4,018,844	341,842	-	4,382,238
3	3,281	119,768	2,599,096	98,061	361	2,820,567
4	45,395	1,594,023	5,259,247	230,697	14,699	7,144,061
5	146,495	1,510,764	3,119,117	697,564	313,173	5,787,113
6	381,357	2,539,932	1,900,010	517,556	22,233	5,361,088
Average quality						
7	220,504	1,708,236	1,481,423	523,515	97,764	4,031,442
8	349,773	2,397,122	899,127	366,992	50,565	4,063,579
9	338,060	1,731,824	768,276	290,138	161,730	3,290,028
Lower quality						
10	672,034	978,908	686,832	193,492	200,950	2,732,216
11	208,538	532,768	377,493	113,588	14,080	1,246,467
12	864,728	1,655,436	625,830	156,357	78,252	3,380,603
Procedural						
13	19,964	66,622	175,318	53,030	-	314,934
14	31,403	110,015	96,273	32,841	55	270,587
15	2,500,535	3,516,179	1,908,378	815,257	832,366	9,572,715
Not classified (without degree of risk)	391,079	1,788,807	167,208	33,454	146,788	2,527,336
Total	6,175,179	20,269,925	24,082,472	4,464,384	1,933,016	56,924,976

Credit concentration risk

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

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

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

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

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

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

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

The definition of the concentration limits mentioned above takes into consideration the specific situation of the Group’s credit portfolio in what concerns the respective concentration and observing best market practices.

Besides, the definition of concentration limits (more specifically the several types of limits established) also identifies the types of concentration risk deemed relevant. The definition of the concentration limits of the Group takes into account all types of credit concentration risk defined by in force regulations. The control of these limits considers:

- Two types of “major exposures”, at Group level and at the level of each Group entity;

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

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

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

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

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

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

It is also foreseen in the document mentioned above that if a certain limit is exceeded, that fact must be specifically reported to the members of the management body by the Credit Department and by the Risk Office, being that report accompanied by a remedy proposal. Usually, the remedies proposed will imply the reduction of the net exposure to the counterparties in question.

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

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

As at 30 June 2017, the tables of control of credit concentration are as follows:

Major risks	**Limit**	**Economic groups**
Major exposures - Group	Max 75% of COF	
Portugal	60.9%	28
Major exposures - by entity	Max 75% of EOF	
Portugal	60.9%	28
Poland	8.2%	4
"Hot spots"		**Weight over COF**
30 largest exposures	Max 50% of COF	62.1%
Exposures to shareholders with at least 0.5% of share capital	Max 20% of COF	9.2%

Counterparties	**Limit (as a % of COF)**	**Largest net exposures (*) / COF**
Sovereign	Very low risk: 25%; Low risk: 10%; Medium or worse risk: 7.5%	Treasury Country A (Very low risk): 4.1%; Treasury Country B (Low risk): 0.4%; Sovereign Entity A (Low risk): 0.3%
Banks (**)	Very low risk: 10%; Low risk: 5%; Medium or worse risk: 2.5%	Medium or worse risk (10 largest exposures): 0.4% Bank A: 2.6%; Bank B: 0.8%; Bank C: 0.7%; Bank D: 0.7%; Bank E: 0.6%; Bank F: 0.5%; Bank G: 0.5%; Bank H: 0.5%; Bank I: 0.4%; Bank J: 0.4%
Other counterparties	5%	Client Group A: 4.3% ; Client Group B: 4.0%; Client Group C: 4.0%; Client Group D: 3.6%

Portfolios	**Limit (as a % of OF)**	**Largest net exposures (*) / COF (or EOF)**
Country risk	Very low risk: 40% of COF; Low risk: 20% of COF; Medium or worse risk: 10% of COF	Medium or worse risk: 4.5% Country A: 5.1% ; Country B: 4.1% ; Country C: 3.1% ; Country D: 3.0% ; Country E: 2.3% ; Country F: 2.2% ; Country G: 1.6% ; Country H: 1.4% ; Country I: 1.1% ; Country J: 0.6%
Sector risk	40% of EOF	Portugal: Construction 20.1%; Commerce and repairs 15.5%; Financial activities and insurance 13.6% Poland: Commerce and repairs 28.1%; Transportation and storage 13.3%; Financial activities and insurance 10.3%

(*) LGD x EAD (considering LGD = 45% in the cases treated by STD)
(**) Not considering institution in which the Group has a financial stake
COF = Consolidated Own Funds. EOF = Entity's Own Funds

Market risk

Market risks consist in losses that may occur as a result of changes in rates (interest or exchange rates) and / or in the prices of different financial instruments, considering not only the correlations between them but also their volatilities.

For the purposes of profitability analysis and market risk quantification and control, the following management areas are defined for each entity of the Group:

- Trading - Management of positions whose objective is the achievement of short term gains, through sale or revaluation. These positions are actively managed, tradable without restriction and may be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;
- Funding - Management of institutional funding (wholesale funding) and money market positions;
- Investment: Management of all the positions in securities to be held to maturity (or for a longer period of time) or positions which are not tradable on liquid markets;
- Commercial: Management of positions arising from commercial activity with Customers;
- Structural: Management of balance sheet items or operations which, due to their nature, are not directly related to any of the management areas referred to above; and
- ALM: Assets and Liabilities management.

The definition of these areas allows for an effective separation of the trading and banking portfolios management, as well as for a proper allocation of each operation to the most appropriate management area, according to its context and strategy.

In order to ensure that the risk levels incurred in the different portfolios of the Group comply with the predefined levels of tolerance to risk, various market risks limits are established, at least yearly, being applicable to all portfolios of the risk management areas over which the risks are incident. These limits are monitored on a daily basis (or intra-daily, in the case of financial markets) by the Risk Office.

Stop Loss limits are also defined for the financial markets areas, based on multiples of the risk limits defined for those areas, aimed at limiting the maximum losses that might occur. When these limits are reached, a review of the strategy and of the assumptions relative to the management of the positions in question is mandatory.

Trading book market risks (Positions allocated to the Trading Management Area and not, specifically, to the accounting Trading Book)

The Group uses an integrated market risk measurement that allows for the monitoring all of the risk subtypes that are considered relevant. This measurement includes the assessment of the following types of risk: general risk, specific risk, non-linear risk and commodity risk. Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from the measurements of each subtype without considering any kind of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) a VaR (value-at-risk) model is used, considering a time horizon of 10 business days and a significance level of 99%.

For non-linear risk, an internally-developed methodology is applied, replicating the effect that the main non-linear elements of options might have in P&L results of the different portfolios in which these are included, similarly to what is considered by the VaR methodology, using the same time horizon and significance level.

Specific and commodity risks are measured through standard methodologies defined in the applicable regulations, with an appropriate change of the time horizon considered.

The following table presents the values at risk for the trading book between 30 June 2017 and 31 December 2016, as measured by the above methodologies, which registered moderate levels along the first semester of 2017:

					Euros '000
	Jun 2017	**Average**	**Maximum**	**Minimum**	**Dec 2016**
Generic Risk (VaR)	1,005	2,631	4,133	1,005	3,921
Interest Rate Risk	807	2,470	4,031	807	3,855
FX Risk	454	827	551	454	354
Equity Risk	26	269	47	26	37
Diversification effects	*282*	*935*	*497*	*282*	*325*
Specific Risk	555	514	1,026	273	440
Non Linear Risk	13	11	67	1	8
Commodities Risk	17	19	24	15	16
Global Risk	1,590	3,174	4,734	1,590	4,385

In order to check the appropriateness of the internal VaR model to the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

As a complement to the VaR assessment, the Group continuously tests a broad range of stress scenarios analysing the respective results with a view to identify risk concentrations that have not been captured by the VaR model and, also, to test for other possible dimensions of loss.

Interest rate risk

The interest rate risk derived from Banking Book operations is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet and discriminated by exposure currency.

Variations of market interest rates influence the Group's net interest income, both in the short term and medium/long term, affecting its economic value in a long term perspective. The main risk factors arise from the repricing mismatch of portfolio positions (repricing risk) and from the risk of variation in market interest rates (yield curve risk). Besides this, but with less impact, there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's banking book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of each of the relevant contracts, with the respective expected cash-flows (principal and interest, without the spread component but including costs for liquidity, capital, operational and other) being projected according to the repricing dates, thus calculating the impact on economic value resulting from alternative scenarios of change of market interest rate curves.

The interest rate sensitivity of the balance sheet, by currency, is calculated as the difference between the present value of the interest rate mismatch discounted at market interest rates and the discounted value of the same cash flows simulating parallel shifts of the market interest rates.

The following tables show the expected impact on the banking book economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, for each of the main currencies in which the Group holds material positions:

	Jun 2017			Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	3,556	3,556	5,012	9,937
EUR	(4,696)	(8,494)	68,465	134,071
PLN	2,498	1,124	(853)	(1,459)
USD	(14,001)	(7,757)	7,499	14,758
TOTAL	(12,643)	(11,571)	80,123	157,307

	Dec 2016			Euros '000
Currency	**- 200 bp**	**- 100 bp**	**+ 100 bp**	**+ 200 bp**
CHF	3,662	3,662	4,929	9,774
EUR	12,055	18,765	79,381	156,355
PLN	19,346	9,639	(8,953)	(17,274)
USD	9,198	(8,630)	8,448	40,601
TOTAL	44,261	23,436	83,805	189,456

Decrease in rates scenario, limited to non-negative rates (which implies effective variations of lesser amplitude than 100 bp, especially in shorter periods).

As described in accounting policy 1 b), the financial statements of the Group's subsidiaries and associates residing abroad are prepared in their functional currency and translated into Euros at the end of each financial period. The exchange rates used for the conversion of balance sheet foreign currency amounts are the ECB reference rates at the end of each period. In foreign currency conversion of results, are calculated average exchange rates according to the closing exchange rates of each month of the year. The rates used by the Group are as follows:

	Closing exchange rates (Balance sheet)		Average exchange rates (Income statement)	
Currency	**Jun 2017**	**Dec 2016**	**Jun 2017**	**Dec 2016**
AOA	189.1600	174.8900	181.7892	179.4808
BRL	3.7780	3.4305	3.4674	4.1424
CHF	1.0923	1.0739	1.0754	1.1004
MOP	9.1685	8.4204	9.1685	8.8719
MZN	68.6870	75.3100	71.8837	58.6550
PLN	4.2252	4.4103	4.2604	4.3788
USD	1.1403	1.0541	1.0893	1.1127

Foreign exchange and equity risk in the banking book

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet. The exposures to exchange rate risk that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations.

As at 30th of June 2017, the Group's financial holdings in USD, CHF and PLN were fully hedged. On a consolidated basis, these hedges are identified, in accounting terms, as 'Net investment hedges', in accordance with the IFRS nomenclature. On an individual basis, for entities which have financial holdings with exchange rate risk, hedge accounting is also carried out, in this case through a 'Fair Value Hedge' methodology.

Regarding equity risk, the Group maintains a series of equity positions of a small size and low risk in the investment portfolio, which are not held for trading purposes. The management of these positions is carried out by a specific area of the Group, with the respective risk being controlled on a daily basis, through the indicators and limits defined for market risks.

As at 30 June 2017, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is as follows:

		Jun 2017			
Company	**Currency**	**Net Investment Currency '000**	**Hedging instruments Currency '000**	**Net Investment Euros '000**	**Hedging instruments Euros '000**
Banque Privée BCP (Suisse) S.A.	CHF	81,189	81,189	74,328	74,328
Millennium bcp Bank & Trust	USD	340,000	340,000	298,167	298,167
BCP Finance Bank, Ltd.	USD	561,000	561,000	491,976	491,976
BCP Finance Company	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	44,734	44,734	39,230	39,230
Bank Millennium, S.A.	PLN	2,570,017	2,570,017	608,259	608,259

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

The transfer to Portugal of funds, including dividends, which are owed by BCP's subsidiaries or associates in third countries, particularly outside the European Union, are, by their nature, subject to the exchange restrictions and controls that are in force at any time in the country of subsidiaries or associates. In particular, as regards Angola and Mozambique, countries in which the Group holds a minority investment in Banco Millennium Angola and a majority investment in BIM - Banco Internacional de Moçambique, being the case of, export of foreign currency requires prior authorization of the competent authorities, which depends, namely, on the availability of foreign exchange by the central bank of each country. At the date of preparation of this report, there are no outstanding amounts due to the aforementioned requirements.

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash-flow projections for periods of 3 days and of 3 months, respectively.

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

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk. This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In the first semester of 2017, there was a reduction of Euros 1,335,011,000 in the wholesale funding requirements on a consolidated basis for which contributed the capital increase (Euros 1,350,000,000) and the reduction of the commercial gap in Portugal (Euros 1,411,280,000), which effects were partially counterbalanced by the net increase of the securities portfolios by approximately Euros 1,400,000,000.

The reduction in liquidity needs was accompanied by the change in the financing structure through the repayment of the remaining portion of the CoCos (Euros 700,000,000), the amortization of MTN (Euros 328,200,000), the increase in the use of repos in Portugal (Euros 758,415,000, for a balance of Euros 3,076,462,000) and the reduction of collateralized funding with the ECB (in Euros 870,000,000, to Euros 4,000,000,000 corresponding to the balance of the of the targeted longer-term refinancing operations (T LTRO)).It should be noted that the remaining issue of mortgage bonds placed in the market, amortized in June, was refinanced by a new issue of Euros 1,000,000,000 in the same instrument, with a maturity of 5 years, marking the return of the Bank to medium-long term debt markets about three years after the market placement of a MTN issue, amortized in February 2017.

In net terms, the funding requirements with the ECB were reduced by Euros 798,552,000 from December 2016 to Euros 3,637,740,000.

The accentuated decrease in net funding with the Eurosystem allowed the Eurosystem to increase its liquidity buffer by Euros 741,260,000 compared to December 2016, for a total of Euros 8,355,061,000. The amount of the portfolio of ECB eligible assets available for discount, as at 30 June 2017, which is the basis to the liquidity buffer calculation does not consider: i) the collateral in excess to the covered bond program which, under the form of an issue to be retained as eligible collateral, would allow its increase by an amount of at least Euros 1,000,000,000 after haircuts, assuming the use of the valuation criteria of the ECB concerning the other retained issues: ii) a Treasury Bills portfolio of USD 600,000,000. In case of consideration of this amount, the liquidity buffer as at 30 June 2017, amounts to Euros 9,876,015,000, more Euros 762,214,000 than the balance as at 31 December 2016 (with an amount also calculated on a pro-forma basis and compared).

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

	Jun 2017 Euros '000	Dec 2016 Euros '000
European Central Bank	7,724,715	8,592,234
Other Central Banks	-	3,204,850
	7,724,715	11,797,084

As at 30 June 2017, the amount discounted in the European Central Bank amounted to Euros 4,000,000,000 (31 December 2016: Euros 4,870,000,000). As at 30 June 2017 and 31 December 2016 no amounts were discounted in Other Central Banks. The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPEs concerning securitization operations in which the assets were not derecognised at a consolidated level. Therefore, the respective securities are not recognised in the securities portfolio.

The evolution of the ECB's Monetary Policy Pool, the net borrows at the ECB and liquidity buffer is analysed as follows:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Collateral eligible for ECB, after haircuts:		
The pool of ECB monetary policy (i)	7,724,715	8,592,234
Outside the pool of ECB monetary policy	4,268,087	3,457,859
	11,992,802	12,050,093
Net borrowing at the ECB (ii)	3,637,740	4,436,292
Liquidity buffer (iii)	8,355,062	7,613,801

(i) Corresponds to the amount reported in COLMS (Bank of Portugal application).
(ii) Includes, as at 30 June 2017, the value of funding with the ECB net of deposits at the Bank of Portugal (Euros 373,716,000) and other liquidity of the Eurosystem (Euros 325,335,000), plus the minimum cash reserve (Euros 336,791,000).
(iii) Collateral eligible for the ECB, after haircuts, less net borrowing at the ECB.

Liquidity coverage ratio

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and the Delegated Act by the European Commission was adopted in early October 2015, which introduced new metrics and calculation criteria implemented in the European Union against CRD IV / CRR. The adoption of the new framework defines a minimum requirement of 80% for this ratio by the end of 2017 and 100% as at 1 January 2018. The LCR ratio of the BCP Group comfortably stood above 100% as at 30 June 2017, supported by highly liquid asset portfolios of value compatible with prudent management of the Group's short-term liquidity.

Net stable funding ratio

The definition of the Net stable funding ratio (NSFR) was approved by the Basel Committee in October 2014. The regulatory requirement will enter into force from January 2018. As regards this ratio, the Group presents a stable financing base obtained by the high weight of customer deposits into the funding structure, by collateralized financing and medium and long-term instruments, which allowed that the levels of stable financing ratio established in June 2017 exceeded 100%.

According to the Notice n.º28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority on disclosure of encumbered assets and unencumbered assets (EBA/GL/2014/3), and taking into account the recommendation made by the European Systemic Risk Board, the following information regarding the assets and collaterals, with reference to 30 June 2017 and 31 December 2016, is presented as follows:

	Jun 2017			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	14,359,209	n/a	59,135,559	n/a
of which:				
Equity instruments	-	-	2,006,374	2,006,374
Debt securities	2,140,777	2,140,777	12,170,228	12,161,631
Other assets	295,199	n/a	8,586,702	n/a

	Dec 2016			
Assets	**Carrying amount of encumbered assets Euros '000**	**Fair value of encumbered assets Euros '000**	**Carrying amount of unencumbered assets Euros '000**	**Fair value of unencumbered assets Euros '000**
Assets of the reporting institution	14,164,516	n/a	57,496,393	n/a
of which:				
Equity instruments	-	-	1,920,821	1,920,821
Debt securities	1,894,589	1,894,589	10,402,545	10,385,168
Other assets	-	n/a	8,950,882	n/a

	Fair value of encumbered collateral received or own debt securities issued		**Fair value of collateral received or own debt securities issued available for encumbrance**	
Collateral received	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Collateral received by the reporting institution	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	580,330	179,046	15,423	21,280
Other assets	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-	-	-

	Carrying amount of selected financial liabilities	
Encumbered assets, encumbered collateral received and matching liabilities	**Jun 2017 Euros '000**	**Dec 2016 Euros '000**
Matching liabilities, contingent liabilities and securities lent	9,549,497	9,591,662
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	13,406,355	13,752,482

The encumbered assets are mostly related to collateralized financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market. The funding raised from the IEB is collateralized by Portuguese public debt and bonds issues of the public sector entities.

The balance other assets in the amount of Euros 8,586,702,000 (31 December 2016: Euros 8,950,882,000) although unencumbered, are mostly related to the Group's activity, namely: investments in associates and subsidiaries, tangible fixed assets and investment property, intangible assets, assets associated with derivatives and deferred tax assets and current taxes.

The amounts presented in these tables correspond to the position as at 30 June 2017 and 31 December 2016 and reflect the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 30 June 2017 amounts to Euros 8,355,061,000 (31 December 2016: Euros 7,613,801,000).

Operational Risk

The approach to operational risk management is based on the business process structure and an end-to-end processes structure, both for business and business support processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for the risks assessment and for strengthening the performance within the scope of their processes. Process Owners are responsible for the updating of all of the relevant documentation concerning the processes, for ensuring the effective adequacy of all of the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risks self-assessment exercises and for detecting improvement opportunities and implementing improvements, including mitigating measures for the most significant exposures.

Within the operational risk model implemented in the Group, there is a systematic process of capturing data on operational losses that systematically characterizes the loss events in terms of their causes and effects. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors ("negative pledge"). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of assets.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of BCP.

52. Solvency

The Group's own funds are determined according to the established regulation, in particular, according to Directive 2013/36/EU and Regulation (EU) 575/2013, approved by the European Parliament and the Council (CRD IV / CRR), and Banco de Portugal Notice No.6/2013.

Total capital includes tier 1 and tier 2. Tier 1 comprises common equity tier 1 (CET1) and additional tier 1.

Common equity tier 1 includes: (i) paid-up capital, share premium, hybrid instruments subscribed by the Portuguese State within the scope of the Bank's recapitalization process and not reimbursed, reserves and retained earnings and non-controlling interests; ii) and deductions related to own shares and loans to finance the acquisition of shares of the Bank, the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts calculated according to the IRB approach and goodwill and other intangible assets. Reserves and retained earnings are adjusted by the reversal of unrealised gains and losses on cash-flow hedge transactions and on financial liabilities valued at fair value through profits and losses, to the extent related to own credit risk. The minority interests are only eligible up to the amount of the Group's capital requirements attributable to the minorities. In addition, the deferred tax assets arising from unused tax losses carried forward are deducted, as well as the deferred tax assets arising from temporary differences relying on the future profitability and the interests held in financial institutions and insurers of at least 10%, in this case only in the amount that exceeds the thresholds of 10% and 15% of the common equity tier 1, when analysed on an individual and aggregated basis, respectively.

Additional tier 1 comprises preference shares and hybrid instruments that are compliant with the issue conditions established in the Regulation and minority interests related to minimum additional capital requirements of institutions that are not totally owned by the Group.

Tier 2 includes the subordinated debt that is compliant with the Regulation and the minority interests related to minimum total capital requirements of institutions that are not totally owned by the Group. Additionally, Tier 2 instruments held in financial institutions and insurers of at least 10% are deducted.

The legislation in force stipulates a transitional period between the own funds calculated under national law until 31 December 2013, and own funds estimated according to EU law, in order to exclude some elements previously considered (phase-out) and include new elements (phase-in). The transitional period for the majority of the elements will last until the end of 2017, with the exception of the deferred tax already recorded on the balance sheet of 1 January 2014, and the subordinated debt and all the hybrid instruments not eligible to own funds, according to the new regulation, that have a longer period ending in 2023 and 2021, respectively.

CRD IV/CRR establishes Pilar 1 capital requirements of 4.5%, 6% and 8% for CET1, Tier 1 and Total Capital, respectively. However, under SREP , 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 Pilar 2 requirements and 1.25% of capital conservation buffer. The Bank meets all the requirements and other recommendations emanating from the supervision in this matter.

The Group has adopted the methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of both its retail portfolio in Portugal and Poland and its corporate portfolio in Portugal. The Group has adopted the advanced approach (internal model) for the coverage of trading portfolio's general market risk and for exchange rate risks generated in exposures in the perimeter centrally managed from Portugal, and the standard method was used for the purposes of operating risk coverage. The capital requirements of the other portfolios/geographies were calculated using the standardised approach.

The own funds and the capital requirements determined according to the CRD IV/CRR (phased-in) methodologies previously referred, are the following:

	Jun 2017 Euros '000	Dec 2016 Euros '000
Common equity tier 1 (CET1)		
Share capital	5,600,738	4,268,818
Share Premium	16,471	16,471
Ordinary own shares	(76)	(2,880)
Other capital (State aid)	-	700,000
Reserves and retained earnings	268,158	36,875
Minority interests eligible to CET1	510,196	654,488
Regulatory adjustments to CET1	(1,442,331)	(799,737)
	4,953,156	4,874,035
Tier 1		
Capital Instruments	10,393	10,629
Minority interests eligible to AT1	42,069	-
Regulatory adjustments	(52,462)	(10,629)
	4,953,156	4,874,035
Tier 2		
Subordinated debt	355,617	403,491
Minority interests eligible to CET1	180,440	126,963
Others	(135,861)	(147,152)
	400,196	383,302
Total own funds	5,353,352	5,257,337
RWA - Risk weighted assets		
Credit risk	33,870,402	35,007,882
Market risk	840,619	675,498
Operational risk	3,260,661	3,260,661
CVA	175,180	215,749
	38,146,862	39,159,790
Capital ratios		
CET1	13.0%	12.4%
Tier 1	13.0%	12.4%
Tier 2	1.0%	1.0%
	14.0%	13.4%

53. Accounting standards recently issued with mandatory application in future financial years

1 - IFRS 9 implementation strategy

IFRS 9 - Financial Instruments was endorsed by EU in November 2016 and come into force for periods beginning on or after 1 January 2018. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement and will provide new requirements in accounting for financial instruments with significant changes specifically regarding impairment requirements. For this reason it is a standard that has been subject to a detailed and complex implementation process that has involved all the key stakeholders in order to understand the impacts but also the changes in processes, governance and business strategy that may imply.

The requirements provided by IFRS 9 are applied retrospectively by adjusting the opening balance at the date of initial application.

Banco Comercial Português (‘Group’) has been working on this process since 2016 and, as a first stage, the work developed was on the identification of changes required regarding accounting classifications and credit risk impairment models and also on the criation and development of a governance structure that meets the requirements and challenges that arise from IFRS 9 and it is currently in a phase of final implementation, improvement and automation of processes.

Within this scope the Group set up a Steering Committee that is responsible for the key decisions regarding IFRS 9 requirements and for monitoring the status of the process of analysis and implementation of this new standard. The main departments involved in the project are Risk-Office, Planning, Treasury, Operations, Accounting Department, Credit Departments and IT Department. Internal Audit division and the Independent validation unit take also part of the project, namely in the component of its validation.

Regarding IFRS 9 implementation process the Group adopted a set of procedures that act like risk mitigation factors for a complex project.

Risks	Mitigation
Ensure that the new processes to be designed and implemented during the IFRS 9 both for C&M and Impairment work in a business as usual environment	- Design, approval and implementation of governance model for the new Classification & Measurement and Impairment processes, establishing clear roles and responsibilities; - Meetings and IFRS 9 workshops with the departments involved in the process to create an awareness about the topic; - Preparation of several areas teams in order to be able to be autonomous and to carry out the necessary tasks in the scope of IFRS 9 implementation as business as usual.
Traceability / audit trail of the assumptions and decisions to be taken during the IFRS 9 implementation	- Minutes of the Steering Committees; - Documentation of the assumptions and decisions taken regarding Classification & Measurement at the transition date; - Documentation of the assumptions and decisions taken regarding Impairment at the transition date; - Backup of the SPPI & benchmark tests performed;
Concepts comparability	- Internal efforts in order to achieve a concepts alignment; - Efforts to achieve full alignment with the requirements and guidelines issued by the different regulatory and supervisory boards;
Data quality	- Definition of internal owners by type of information; - Process of revision of the key information; - Involvement of independent review.

2 - The project’s main phases and milestones

During 2016 the Group started its implementation process for IFRS with the objective of adopting IFRS 9 from 1 January 2018. The plan for implementation was divided in 4 main stages:

- Training and preliminary analysis: a preliminary diagnosis was undertaken to determine the main impacts arising from application of IFRS 9 by the Group. This sessions also included various workshops with different departments concerning Business models, Solely Payment of Principal and Interest (‘SPPI’) criteria, impairment methodology (including Significant decrease of credit risk criteria, forward looking) both in Portugal and abroad.

- Operational, accounting and disclosure analysis: this stage was designed to perform a detailed analysis of the differences between the accounting principles of IAS 39 and IFRS 9 and the related technical implications. Given the complexity and scope of some of the matters, various specialized teams were set up and the Group requirements in terms of IT were determined.

- Conversion plan: a detailed conversion plan was prepared including the action plan for IT systems.

- Implementation: during this stage the various processes will be subject to changes and testing, including conversion of the financial information and reporting processes at Group level (management information, budget, prudential information, ICAAP, ILAAP and stress testing). This stage includes the testing and parallel run of the processes and systems as well as the determination of the transitional adjustments to be accounted for as at 1 January 2018.

The Group is currently working on the implementation phase. Design and development phase are completed and included some key milestones, namely:

- Design of an operational model that allows an alignment with IFRS 9 requirements including the definition of functional requirements;
- Set up a training plan for the staff that will deal on a daily basis with IFRS 9 requirements;
- Identification of the adjustment on IT applications required in order to comply with the new standard.

Group’s main focus following the implementation stage relates to the efficiency of all the process ensuring that the model performs in a business as usual environment. The Group will run several simulations to assess how the model performs. This includes a parallel run for impairment calculation under IFRS 9 requirements which allow a comparison with the results of the internal simulations performed during the project of IFRS 9 implementation, starting in 30 June 2017.

Considering the current status of the process and the issues already identified we present on the following paragraphs information regarding the key changes in the different areas:

Classification of financial instruments

IFRS 9 brings major changes to how financial instruments are classified. The new model for classifying financial assets is more principles-based and requires taking into account not only the business model for the management of the financial assets but also the characteristics of contractual cash flows of these assets (SPPI criteria). Financial assets will be consequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit and loss depending on the business model that is applied but also on their specific characteristics.

In order to classify the financial assets in accordance with IFRS 9 on 1 January 2018, the Group has reviewed the financial assets in the Group’s portfolio with the objective of determining and allocating groups of financial assets to the appropriate business model on the basis of the assessment of the applied way of managing the financial asset portfolios by:
- identifying and analysing the contractual terms of financial assets, that may cause the financial assets to fail the SPPI criterion.
- reviewing and assessing relevant and objective qualitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (such as, e.g.: how the particular financial assets are managed including the justification of the sales of the financial assets from certain portfolios that occurred in the past);

- reviewing and assessing relevant and objective quantitative data which may have an impact on allocating financial asset portfolios to the appropriate business model (e.g. the value of sales of the financial assets from certain portfolios that occurred in previous reporting periods and the frequency of those sales);
- analysing the expectations regarding the value and frequency of future sales from certain portfolios.

Regarding the securities portfolio the Group does not expect significant changes in the applied method of the classification and measurement of financial assets that could have a significant impact on the balance sheet and / or the Group's result. Regarding credit portfolio the analysis performed allow to conclude that the majority of the contracts meet with SPPI criteria and therefore amortized cost can be maintained as measurement criteria for such financial assets. However, given their characteristics, there is a residual set of contracts that will need to be reclassified for fair value through profit and loss because the contractual terms of the loan give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding. Based on the current stage of analysis (final conclusions are not made yet), the Group expects that these changes could affect a residual percentage of the portfolio.

With regard to business models assessment, the Group performed an analysis of current portfolios sales history whose results allow the Group to maintain the current business models. Therefore and considering the current strategy, business models will be maintained.

Impairment of financial assets

The main changes provided by IFRS 9 are related impairment requirements. IFRS 9 introduces a new model for impairment estimative based on expected losses while the model under IAS 39 is based on incurred losses.

IFRS 9 impairment model is applicable to all financial assets valued at amortised cost, to debt instruments valued at fair value through other comprehensive income, and to contingent risks and commitments not valued at fair value.

Within the scope of the IFRS 9 implementation project, the Group is working on the operationalization of a new methodology of loss allowance calculation as well as on enforcement of the appropriate modifications in IT systems and processes used by the Group. In particular, the work is focused on designing processes and tools and performing a detailed estimation of the impact of IFRS 9 on the level of loss allowance, in a current perspective. In methodological terms, the respective adjustments to PD, LGD, EAD and CC were made in order to refletct the requirements of the new standart in terms of estimate expected credit losses and defining details of the stage allocation criteria and including expectations regarding future macroeconomic outlook in the estimation of loss allowance levels.

It should be underlined that, the implementation of the new standard requires the application of more complex credit risk models of greater predictive abilities which require a significantly broader set of source data than the currently applied models.

Probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) are used as main components to measure expected credit losses. As an approved bank in terms of internal models (IRB) in regulatory terms, and that uses in the risk management, the Bank enjoys the already existing capacities in terms of information, IT structure and governance, for estimation of these new parameters. Under IFRS 9, allowance for credit risk losses is affected by several characteristics namely the expected balance at default and the related amortization profile as well as the expected life of the financial asset. The allowance for credit losses for each stage will also be impacted by forecasts of economic conditions once these forecasts are used in estimating expected credit losses. For calculate lifetime expected credit losses, the Group derive the corresponding lifetime PDs that reflect the economic forecasts. To classify a financial asset as Stage 3 must be identified one or more events that represent adverse impact on the estimated future cash flows.

Impairment estimation methodology

Financial instruments subject to impairment will be divided into three stages based on its level of credit risk as follow:

- Stage 1: there has been no significant increase in risk since its initial recognition. In this case, the value correction will reflect expected credit losses arising from defaults over the 12 months from the reporting date.

- Stage 2: financial instruments that are considered to have experienced a significant increase in credit risk since initial recognition but the impairment has not materialised. In this case, the value correction for losses will reflect the expected losses from defaults over the residual life of the financial instrument. For determine the existence of a significant increase in credit risk will be take into account not only quantitative indicators, namely indicators related to credit risk management, but also qualitative variables.

- Stage 3: financial instruments for which there is objective evidence of impairment in sequence of events that result in a loss. In this case, the amount of the value correction will reflect the expected losses for credit risk over the expected residual life of the financial instrument.

The assessment of credit risk and quantification of expected loss for credit events is required to be unbiased and probability-weighted and should take into account all available information that are considered relevant namely information regarding past events, current conditions and forecasts of economic conditions and the time value of money.

Forward-looking information

Once allowance for credit losses will be based on forward-looking information IFRS 9 will lead to an increase in subjectivity. The forward-looking information mentioned takes into account the evaluation of future macro-economic conditions which are monitored in a continuous basis and that are also used fo management and internal planning.

Credit losses are defined as the expected contractual cash-flows not received over the estimated life of the financial instrument, discounted at the original interest rate. Following this definition, expected credit losses correspond to credit losses determined by considering future economic conditions.

Impairment registration

The main change brought by IFRS 9 is related to assets measured at fair value through other comprehensive income. For these assets, the changes in fair value due to expected credit losses will be recorded at profit and loss.

Hedge accounting

IFRS 9 provides a new model that aims to align accounting with the economic hedge accounting which will allow the Group to have a wider range of instruments covered, risks covered and hedge instruments (derivatives and non-derivatives). The new requirements align hedge accounting with risk management and take an objective approach to the hedge accounting, simplifying the current hedge accounting model. The standard requires a deeper scrutiny of the effects on financial statements and on the Group's risk management strategy. The Group expect to maintain IAS 39 hedge accounting model.

54. 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 will now 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 31 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). The submission dated 30 June 2017 extending the claim has not yet been served on the Bank's counsel.

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.

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 35.5 million) and of PLN 521.9 million Euros 123.5 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 47.2 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 66.9 billion (Euros 15 billion).

On 2 August 2016 another presidential proposal of legislation aimed at supporting FX mortgage borrowers was put forward, this time mainly focusing on repayment part of fx spreads charged 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 June 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, 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.

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

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

On 25 July 2017, the Novo Banco launched a tender offer for the acquisition of several senior debt issues issued directly or indirectly by the Novo Banco, with the aim of strengthening the Bank's equity capital and completing the Lone Star sale process announced on 31 March. The offer provides for the purchase of all securities related to 36 issues of the NovoBanco, is a cash offer, that will provide its holders a price aligned with the market and is accompanied by a request for early repayment (consent soliciion).

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 June 2017.

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. According to the Bank of Portugal Instruction No. 19/2015, published on 29 December, Portuguese banks paid contributions to the Resolution Fund in 2016, calculated at a base rate of 0.02%. The Instruction No. 21/2016 of the Bank of Portugal, published on 26 December establishes the base rate to be effective in 2017 for the determination of periodic contributions to the FR by 0.0291%.

Thus, during the first semester 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 semester 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 first semester 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 partial sale of the shareholding in Novo Banco in accordance with the communication of Banco de Portugal dated 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may take on a loss greater than the one it would take if that institution did not go into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. which need to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the legal proceeding filed by those who have been defrauded by BES; and (v) the guarantee provided to the bonds issued by Oitante.

Despite the possibility foreseen in the applicable legislation concerning the payment of special contributions, taking into consideration the recent developments in the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a group of banks, including 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 June 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.

55. Exposure to sovereign debt

Following a period of deceleration in economic activity and increase of inflation, of revisions to the rating of the Republic of Mozambique, depreciation of the metical and of decrease in foreign direct investment, the Bank of Mozambique has adopted a restrictive policy, with increases in the reference rate 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 June 2017, considering the 66.7% indirect investment in BIM Group, the Bank's interest in BIM's equity amounted to Euros 244,358,000, being the exchange translation reserve associated with this participation a negative amount of Euros 147,767,000. BIM's contribution to consolidated net income for the first semester of 2017, attributable to the shareholders of the Bank, amounts to Euros 28,521,000

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 279,614,000 and Euros 99,458,000 respectively. These public debt securities mostly have a maturity of less than 1 year.

As at 30 June 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 384,578,000 (of which Euros 295,860,000 are denominated in metical and Euros 88,718,000 denominated in USD) and an indirect exposure resulting from sovereign guarantees received in the amount of Euros 294.681.000 (of which Euros 139,730,000 are denominated in metical and Euros 154,951,000 denominated in USD) and in the balance Guarantees granted, an amount of Euros 32,915,000 (of which Euros 1,206,000 are denominated in metical and Euros 31,708,000 denominated in USD).

56. 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;
- 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:

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

	Jun 2017			
	Assets transferred	**Net assets transferred**	**Received value**	**Net gain / (loss)**
	Euros '000	**Euros '000**	**Euros '000**	**Euros '000**
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
Fundo Recuperação FCR (b)	343,266	243,062	232,267	(10,795)
Fundo Aquarius FCR (c)	132,635	124,723	132,635	7,912
Discovery Real Estate Fund (c)	211,388	152,155	138,187	(13,968)
Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

	Dec 2016			
	Assets transferred	**Net assets transferred**	**Received value**	**Net gain / (loss)**
	Euros '000	**Euros '000**	**Euros '000**	**Euros '000**
Fundo Recuperação Turismo FCR (a)	304,400	268,318	294,883	26,565
Fundo Reestruturação Empresarial FCR (b)	84,112	82,566	83,212	646
FLIT-PTREL (c)	577,803	399,900	383,821	(16,079)
Vallis Construction Sector Fund (d)	238,325	201,737	238,325	36,588
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Fundo Vega FCR (e)	113,665	113,653	109,599	(4,054)
	2,005,594	1,586,114	1,612,929	26,815

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

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 June 2017, the assets received under the scope of these operations are comprised of:

	Jun 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	287,929	-	31,509	-	319,438
Impairment	(46,046)	-	(31,509)	-	(77,555)
	241,883	-	-	-	241,883
Fundo Reestruturação Empresarial FCR					
Gross value	84,627	-	-	-	84,627
Impairment	(6,071)	-	-	-	(6,071)
	78,556	-	-	-	78,556
FLIT-PTREL					
Gross value	301,352	-	38,154	2,939	342,445
Impairment	(4,053)	-	(38,154)	(2,939)	(45,146)
	297,299	-	-	-	297,299
Vallis Construction Sector Fund					
Gross value	203,172	36,292	-	-	239,464
Impairment	(194,655)	(36,292)	-	-	(230,947)
	8,517	-	-	-	8,517
Fundo Recuperação FCR					
Gross value	204,269	-	78,033	-	282,302
Impairment	(77,898)	-	(78,033)	-	(155,931)
	126,371	-	-	-	126,371
Fundo Aquarius FCR					
Gross value	137,333	-	-	-	137,333
Impairment	(10,189)	-	-	-	(10,189)
	127,144	-	-	-	127,144
Discovery Real Estate Fund					
Gross value	150,008	-	-	-	150,008
Impairment	(7,412)	-	-	-	(7,412)
	142,596	-	-	-	142,596
Fundo Vega FCR					
Gross value	47,087	-	68,648	-	115,735
Impairment	(1,701)	-	(68,648)	-	(70,349)
	45,386	-	-	-	45,386
Total Gross value	1,415,777	36,292	216,344	2,939	1,671,352
Total Impairment	(348,025)	(36,292)	(216,344)	(2,939)	(603,600)
Total	1,067,752	-	-	-	1,067,752

As mentioned in note 23, the book value of these assets resulted from the last communication by the respective management company of the NAV of the Fund which, as at 30 June 2017, corresponds to the NAV at that date, With the exception of the Vega and Flit-Ptrel funds, which reports on 31 December 2016 and 31 March 2017, respectively. In addition, the valuation of these funds includes, among others, the following aspects: (i) these are funds whose latest Audit Reports available with reference to December 31, 2016 (except for the Vallis Fund whose reference date is 30 September 2016) do not present any reservations; (ii) the funds are subject to supervision by the competent authorities

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for. Although the junior securities are fully provisioned, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of all assets transferred by financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior securities).

The impairment for credit restructuring funds with impact on results, which occurred in the first semester of 2017 amounts to Euros 34,489,000, of which Euros 31,609,000 are recorded in Other financial assets impairment (note 13) and Euros 2,880,000 in Other assets impairment (note 32).

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

Additionally are booked in Loans and advances to customer's portfolio and in balances Guarantees granted and Irrevocable credit lines, the following exposures and respective impairment:

Itens	Jun 2017 Euros '000	Dec 2016 Euros '000
Loans and advances to customers	391,846	351,624
Guarantees granted and irrevocable credit lines	124,106	134,203
Gross exposure	515,952	485,827
Impairment	(112,288)	(101,795)
Net exposure	403,664	384,032

57. Discontinued or discontinuing operations

Banco Comercial Português, S.A agreed to carry out a merger by incorporation of Banco Millennium Angola, S.A. with Banco Privado Atlântico, S.A, for that reason, that entity has been considered as a discontinued operation since 31 March 2016.

In this context, costs and income for the period from 1 January to 30 April 2016 are presented in a single line denominated Result of discontinued or discontinued operations. After the completion of the merger, which occurred on 30 April 2016, the assets and liabilities of Banco Millennium Angola were derecognized from the balance sheet, and the interest held in Banco Millennium Atlântico, S.A. was registered as an associated company, as described in note 26.

As provided in point a) of IFRS 5 paragraph 33, the net cash flow attributable to operating activities, investing and financing activities of discontinued operations should be disclosed not being however mandatory for groups of assets held for sale that are newly acquired subsidiaries that meet the criteria for classification as held for sale on acquisition.

Following the completion of the merger, the Group has no longer the control over the Banco Millennium Angola, and now holds significant influence over the new entity, Banco Millennium Atlântico S.A., of 22.5% of its share capital. In this context, the Group valued its investment in the associated company Banco Millennium Atlântico, S.A at fair value.

The fair value of the shareholding attributable to Banco Comercial Português in Banco Millennium Atlântico at the date of opening balance (30 April 2016), was established by discounting the cash flows to equity associated to the Business Plan developed for the Project of the Merger between Banco Millennium Angola with Banco Privado Atlântico, adjusted to reflect the change in the local currency rate since the end of the year until that date and the date of opening balance, and the difference between the estimate of the combined Net Asset Value (which was based on the information available at the date of the fair value estimation) and the corresponding estimate in the Business Plan underlying the merger projection.

Additionally, the discretionary adjustment considered at the end of 2015 was kept, although to a lesser extent (-10% instead of -30%), in order to reflect the remaining uncertainty regarding the future evolution of economic and financial conditions in Angola, in spite of the gradual stabilisation that has taken place in the meantime.

The main effects are recognized in the consolidated financial statements associated to this operation were as follows:

- Positive impact on net income /(loss) for the period, as at 31 December 2016, of Euros 7,328,000
- Positive impact on equity, excluding net income /(loss) for the period, as at 31 December 2016, amounting to Euros 76,835,000, following the valuation at fair value of the shareholding in the new entity.

The negative foreign exchange reserves of Euros 78,554,000 was annulled and recorded in Net income /(loss) for the period, not implying net impact on equity.

After 30 April 2016, the equity method has been applied to the shareholding held in Banco Millennium Atlântico, S.A. which resulted in a positive contribution of Euros 15,771,000 to the Group's consolidated results of 2016 and other effects on shareholders' equity, in the negative amount of Euros 25,885,000, as at 31 December 2016 (note 26).

As at 30 June 2017, shareholding held in Banco Millennium Atlântico, S.A amounts to Euros 209,640,000, including Euros 100,408,000 related to goodwill, as described in note 26.

The main items of the income statement, related to this discontinued operation, are analysed as follows:

	2016		
	Banco Millennium Angola Euros '000	**Others Euros '000**	**Total Euros '000**
Net interest income	37,690	-	37,690
Net fees and commissions income	8,777	-	8,777
Net gains on trading	26,962	-	26,962
Other operating income	(328)	(533)	(861)
Total operating income	73,101	(533)	72,568
Staff costs	12,020	-	12,020
Other administrative costs	11,129	(533)	10,596
Depreciation	3,009	-	3,009
Total operating expense	26,158	(533)	25,625
Loans impairment and other provisions	(5,023)	-	(5,023)
Net operating income / (loss)	41,920	-	41,920
Net gain from the sale of subsidiaries and other assets	14	-	14
Net income / (loss) before income tax	41,934	-	41,934
Income tax	(5,128)	-	(5,128)
Net income /(loss) for the period (note 17)	36,806	-	36,806

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

As at 30 June 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	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0	100.0	100.0
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 Lda	Oeiras	50,000	EUR	Real-estate company	100.0	100.0	–

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

As at 30 June 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 June 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 June 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 June 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	–
Imbondeiro Development Corporation	George Town	5,000	USD	Financial services	39.0	39.0	–
Luanda Waterfront Corporation (**)	George Town	10,810,000	USD	Services	10.0	10.0	–
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	25.1	–
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 June 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 semester of 2017, the Group liquidated its subsidiaries Propaço - Sociedade Imobiliária de Paço D'Arcos, Lda and M Inovação - Fundo de Capital de Risco BCP Capital 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 Investments in associated companies 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.

59. Subsequent events

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,.

Declaration of Compliance

Millennium
bcp

Executive Committee

DECLARATION OF COMPLIANCE

It is hereby declared that, to the best of the knowledge of the undersigned, the interim condensed individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which include (i) the interim condensed individual and consolidated balance sheets as at 30 June 2017, (ii) the interim condensed individual and consolidated income statements for the six months ended on 30 June 2017, (iii) the interim condensed individual and consolidated statement of changes in equity and cash flow statement for the six months ended on 30 June 2017, (iv) a summary of the significant accounting policies, and (v) the individual and consolidated explanatory notes, give a true and appropriate image of the individual and consolidated financial situation of the Bank as at 30 June 2017, the individual and consolidated results of their operations, and the individual and consolidated changes in equity and cash flow for the six months ended on that date, in accordance to the International Accounting Standard 34 - Interim Financial Reporting (IAS 34), endorsed by the European Union.

At the Board Meeting of March 1, 2012, the Board of Directors, except for the annual report and accounts, has delegated to the Executive Board the approval of all the other financial statements, having such delegation been renew on 11 September 2015.

The Bank's interim condensed individual and consolidated financial statements relative to 30 June 2017 were approved by the Board of Directors on 19 September 2017.

Furthermore, it is also declared that the management report of BCP faithfully presents the evolution of the business, performance and situation of the Bank and companies included in the consolidation perimeter and contain a description of the principal risks and uncertainties facing them. The management report was approved by the Board of Directors on 19 September 2017.

Porto Salvo, 19 September 2017

Nuno Manuel da Silva Amado
(Chairman)

Miguel Maya Dias Pinheiro
(Vice-Chairman)

Miguel de Campos Pereira de Bragança
(Vice-Chairman)

João Nuno Oliveira Jorge Palma
(Vice-Chairman)

Maria da Conceição Mota Soares de Oliveira Callé Lucas
(Member)

Rui Manuel da Silva Teixeira
(Member)

José Jacinto Iglésias Soares
(Member)

José Miguel Bensliman Schorcht da Silva Pessanha
(Member)

New share capital: 5,600,738,053.72 euros

External Auditors' Report

<u>LIMITED REVIEW REPORT OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>

(Amounts expressed in thousands of euros – t.euros)

(Translation of a report originally issued in Portuguese – in the case of discrepancies, the original version in Portuguese prevails – Note 1a)

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. (the Bank) and its subsidiaries (the Group) for the six month period ended 30 June 2017, which comprise the interim condensed consolidated balance sheet as of 30 June 2017 that presents a total of 73,023,738 t.euros and total consolidated shareholders' equity of 6,945,712 t.euros, including a consolidated net profit attributable to the shareholders of the Bank of 89,928 t.euros, the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and a selected set of notes to the interim condensed consolidated financial statements.

Board of Directors' Responsibilities

The Board of Directors of the Bank is responsible for the preparation of interim condensed consolidated financial statements of the Bank in accordance with International Accounting Standard 34 – Interim Financial Reporting (IAS 34) as endorsed by the European Union, and for the design and maintenance of appropriate systems of internal control in order to permit the preparation of interim condensed consolidated financial statements exempt from material misstatement due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and the applicable technical and ethical standards and guidelines of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). These standards require that our work be performed in order to conclude as to whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared in all material respects in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed by the European Union.

A limited review is a limited assurance engagement. The procedures that we have performed consist mainly of inquiries and analytical procedures and subsequent assessment of the evidence obtained.

A limited review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Banco Comercial Português, S.A. and its subsidiaries for the six month period ended 30 June 2017 have not been prepared in all material respects in accordance with International Accounting Standard 34 – Interim Financial Reporting as endorsed by the European Union.

Lisbon, 22 September 2017

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Deloitte & Associados, SROC S.A.
Represented by Paulo Alexandre de Sá Fernandes, ROC

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Financial statements for the first half-year of 2017

www.millenniumbcp.pt

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

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

Share Capital:
5,600,738,053.72 Euros

Registered at
Commercial Registry Office of Oporto
under the Single Registration and
Tax Identification Number 501 525 882

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